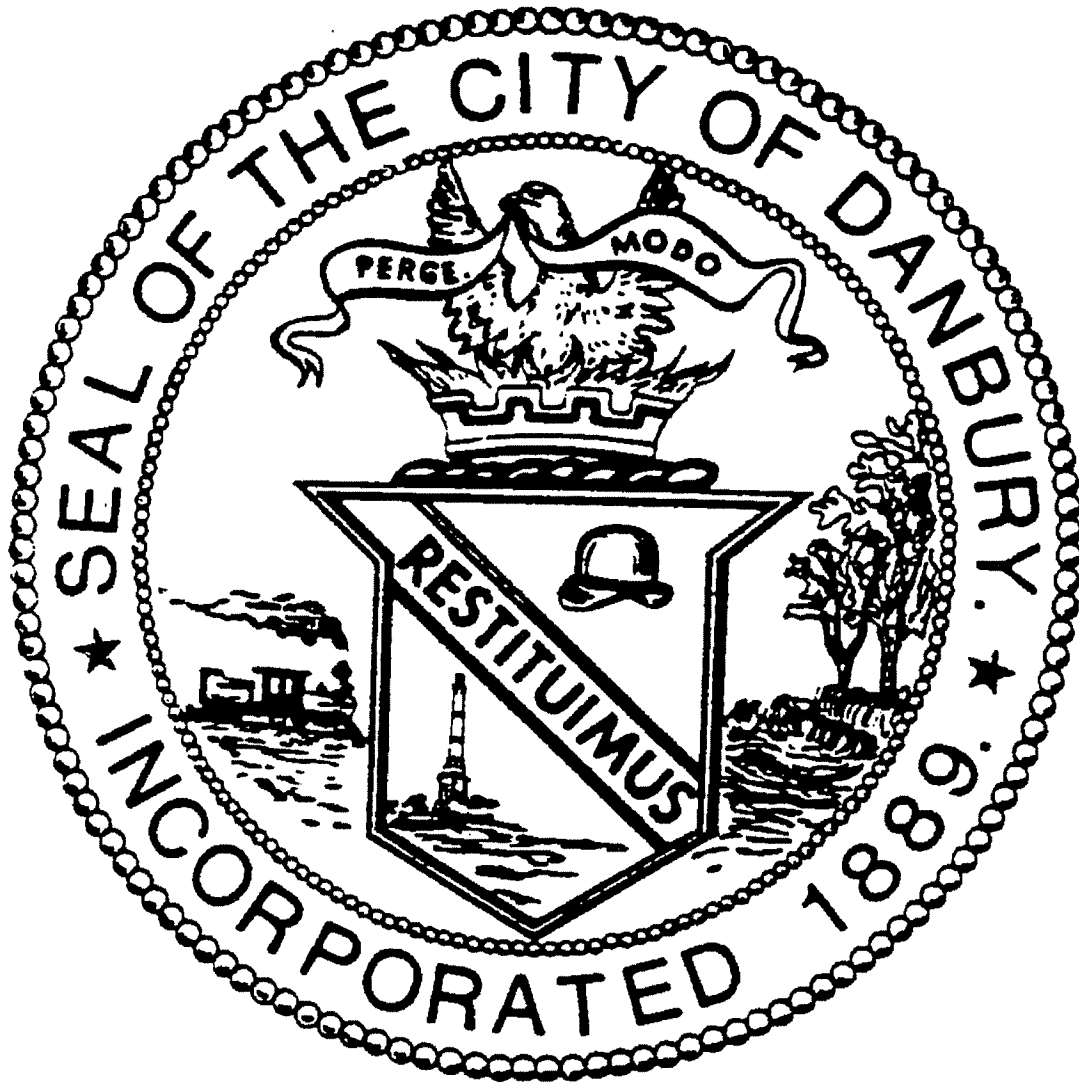


**CITY OF DANBURY, CONNECTICUT
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



**FISCAL YEAR ENDED JUNE 30, 2004
DEPARTMENT OF FINANCE
DANBURY, CONNECTICUT**

**CITY OF DANBURY,
CONNECTICUT**

**Comprehensive
Annual Financial Report**

for

**The Fiscal Year Ended
June 30, 2004**

Prepared By:

City of Danbury Department of Finance

Dena Diorio

Director of Finance

CITY OF DANBURY, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF DANBURY, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section



CITY OF DANBURY

155 DEER HILL AVENUE
DANBURY, CONNECTICUT 06810

DENA DIORIO
DIRECTOR OF FINANCE

(203)797-4652
FAX: (203)796-1526

December 30, 2004

Honorable Mark D. Boughton, Mayor
Members of the Common Council
City of Danbury, Connecticut

Connecticut State Statutes require that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Danbury, Connecticut for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Danbury, Connecticut. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Danbury has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Danbury's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Danbury, Connecticut's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Danbury, Connecticut's financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Danbury, Connecticut for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for

rendering an unqualified opinion that the City of Danbury, Connecticut's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Danbury, Connecticut was part of broader state and federally mandated "Single Audits" designed to meet the special needs of federal and state grantor agencies. The standards governing the Federal and State Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the City of Danbury, Connecticut's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Danbury, Connecticut's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Danbury is the largest city in Northern Fairfield County. Transversed by I-84 and Route 7, and adjacent to I-684, Danbury is easily accessible to New York City, Hartford and Norwalk, all of which are within 60 miles.

According to the 2000 Census, Fairfield County is one of the five wealthiest counties in the United States and Danbury is one of the wealthiest cities, with a median household income of approximately \$53,664. The City of Danbury currently has a population of 74,848.

The City was incorporated in 1889, and operates under a Charter that was last revised in November 1990. A Mayor and a twenty-one member Common Council govern the City. The Mayor is the City's chief executive and the Common Council is the legislative body.

The City of Danbury's municipal government provides a full range of services including education, police, fire, planning and zoning, construction and maintenance of highways, streets, storm and sanitary sewers and infrastructure, health and social services, parks and recreational activities, cultural events and a municipal airport. Approximately 1,866 full-time municipal employees provide services to the Danbury community. The City is 44 square miles and has 238 miles of streets.

The City of Danbury has three component units, the Danbury Parking Authority, the Richter Park Authority, and the Tarrywile Park Authority. These Authorities are reported as discrete component units. Discretely presented component units are reported in separate columns in the entity-wide statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions and results of operations from those of the primary government.

The annual budget serves as the foundation for the City of Danbury's financial planning and control.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 23 as part of the basic financial statements for the General Fund.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy: Danbury's economy is diverse, with services, manufacturing and trade being the leading components. As of October 2004, the Danbury Labor Market Area (LMA) added 800 jobs over the prior year. This is the largest increase of all seven LMA's for which data is available. Sectors showing the greatest growth were construction, wholesale & retail trade, and education and health services totaling 1,600 jobs. These increases were offset by reductions in manufacturing jobs.

The City of Danbury's economy continues to grow despite the recent economic downturn. This is demonstrated through several new development projects in the City, both residential and commercial. As of November 2004, 1,381 residential building permits were issued, and several hundred new housing units are under construction.

The development of the former Union Carbide facility is underway. Additional sewer capacity has been extended to the site and designs and site plans are being prepared for the residential component of the project. Construction of several hundred residential units is slated to begin in Spring 2005. The master plan for the site includes 2,230 housing units, 35,000 square feet of retail and community uses, 985,000 square feet for commercial use, and 140,000 square feet of manufacturing. Several corporations have already expressed interest in relocating to the new complex. When completely built-out in 2014, the development is expected to add \$515 million to the City's grand list, generating approximately \$12.5 million in new tax revenue.

Boehringer Ingelheim, a pharmaceutical company headquartered in the Danbury area, and with a major presence in the City of Danbury, recently announced a major expansion of its facilities. Plans call for a \$500 million building project that is expected to create 500-700 new jobs over the next six years. The expansion will consist of new laboratories to support research and development in the immunological, inflammatory and cardiovascular areas. The State of Connecticut has committed \$3.5 million to the project to assist with infrastructure improvements related to the expansion. As part of this expansion, Boehringer Ingelheim signed a ten-year lease for 229,000 square feet of space in Danbury, which will house its medical department and support functions. Construction on the leased space is underway and employees have already begun occupying the space. By 2007, the company expects 650 employees to occupy this space.

In the downtown area, several development projects are planned or are underway that support the revitalization of Danbury's central business district. These projects include the construction of a 28,000 square foot office building bringing approximately 115 new jobs to downtown, the construction of over 300 new housing units including the construction of a four-story apartment building, renovation to the entrance and public plaza of the Danbury Public Library, and streetscape improvements along Main Street. Land acquisition is underway for the construction of a state-of-the-art police headquarters, which should be completed in the next few years.

The State of Connecticut continues to make major investments in Western Connecticut State University, which has its two campuses in the City of Danbury. It is anticipated that the University will spend \$100 million within the next three years on construction activities. The expansion to the Observatory on the Westside campus was recently completed, and the university has broken ground on its new Science Building, which is expected to be complete by Spring 2005. Other projects include a new Center for the Arts, a 600-car parking garage for the Midtown campus, and a new residence hall and parking garage on the Westside campus. The acquisition of the Roberts Avenue School will expand the Midtown campus by six acres and allow for continued growth of the University. These projects demonstrate the University's strong commitment to building on the educational successes in the Danbury area.

Danbury Hospital, the City's largest employer with approximately 3,200 employees is also making large investments in the community. The 371-bed teaching hospital employs 512 physicians and approximately 600 registered nurses. The hospital maintains a 2.8% vacancy rate amongst its nurses (one of the lowest in the State) despite the nationwide nursing shortage. Voted one of America's Best Hospitals by U.S. News and World Report, Danbury Hospital was recently granted certification by the State of Connecticut to provide advanced cardiac care services to include open-heart surgery. In addition, the hospital recently broke ground on a 60,000 square foot out-patient diagnostic center due to open in 2006. The new facility will be dedicated to cardiac and digestive diagnostics and will employ 20-30 people.

Building permit activity continues to demonstrate the vitality of the local economy. Through November 2004, 1,568 permits were issued for residential and commercial construction with a total valuation of \$122.7 million. This is a significant increase from one year ago when 1220 permits were issued with a total valuation of \$59 million. Unemployment in the City remains below the State average. At October 31, 2004, the Department of Labor reported 39,843 individuals employed in Danbury and 1,166 unemployed. Danbury's unemployment rate is 2.8% as compared to the State's rate of 4.2%.

Retail sales in Danbury continue to rank as one of the highest in the State of Connecticut, which can be attributed to the popular Danbury Fair Mall, which is one of the largest in New England. The mall, which totals 1.5 million square feet offers more than 200 shops and services is a destination place for many residents of the East Coast. Earlier this year, Apple Computer opened its second showroom in the State of Connecticut at the Danbury Fair Mall.

Other retail expansions include Klaff's Home Design Center, which recently opened a 17,000 square foot showroom, and Harley Davidson/Buell, which opened a 30,000 square foot facility in January 2004. It is the largest Harley-Davidson dealership in the State. In October 2004, a Porsche/Audi/Volkswagon dealership opened four new facilities consisting of 70,000 square feet

on 5.1 acres. Planned projects include the construction of Best Buy and Lowes, both of which are scheduled to open in 2006.

In October 2004, the Danbury Trashers, the first minor league hockey team to play in the area, opened its inaugural season. Affiliated with the United Hockey League, the Danbury Trashers play in an expanded 90,000 square foot, 2,500-seat ice arena located in Danbury's central business district. The introduction of minor league hockey to the Danbury's downtown, is an integral component to revitalizing the central business district.

The City continues to enjoy a strong credit rating receiving a Aa2, and AA, from Moody's Investor's, and Standard and Poors respectively. Both rating agencies cite the City's diverse tax base and expect continued development and job growth in Danbury.

Major Initiatives

There are several initiatives that were recently undertaken, some of which will continue into Fiscal Year 2004-2005.

- ◆ **Western Connecticut Academy of International Studies** -- The State of Connecticut has selected Danbury as the home of a new magnet school that will focus on international studies and related cultures. The operational plan envisions a multinational educational adventure through the use of technology, the arts, and the promotion of world languages. The Academy will serve 360 students in grades K-5, and will include students from New Fairfield, Newtown and Redding. The school will be constructed on the Westside campus of Western Connecticut State University and is scheduled to begin construction in Spring 2005. The construction of the school had been delayed due to on-going litigation that has since been resolved. The Academy is fully funded by the State of Connecticut.
- ◆ **Construction of a New Senior Center**- In May 2003, the City finished construction on an 8,200 square-foot Senior Center that provides needed recreational space for the City's seniors. The facility includes a large meeting room for performances that can also become four separate classroom spaces, kitchen facilities, handicapped accessible restrooms and administrative offices. This facility complements the existing center, which will continue to be used for activities for senior citizens. The existing facility also underwent renovations, specifically a new tower roof in order to restore the landmark building in compliance with state and federal guidelines. A second phase of construction is planned for the Senior Center and will include the construction of an 8,500 square-foot facility adjacent to the new Senior Center, that will include craft studios, conference and meeting rooms, and a multi-media room.
- ◆ **North Main Street Redevelopment and Downtown Streetscape Improvements** -- This redevelopment project anticipates the acquisition of blighted properties on North Main Street for the construction of a new state-of-art police headquarters. Additional streetscape improvements including sidewalk replacements, safety lighting and traffic islands within the central business district will improve pedestrian and vehicular traffic flow. This also includes renovations to Library Plaza, which was completed in July 2004.

- ◆ **Construction of a Parking Garage in the Central Business District**- The project to construct an additional parking garage in the Central Business District is currently in design, and construction is scheduled to begin in 2005. The new garage is part of the Comprehensive Downtown Revitalization Plan and will ease the parking problems in the City's central business district.
- ◆ **21st Century Bond Package** –In March 2004, the voters approved a bond package that provides funding for important in the City. The package, totaling \$66.2 million, includes funds for the construction of a new elementary school, renovations and expansion of the City's two middle schools, the construction of a new fire station, improvements to parks and playgrounds, bridge and highway repairs, equipment purchases, and infrastructure improvements to the City's water and sewer facilities. This new bond package will provide needed funding to continue improvements to the City's infrastructure.

Risk Management

The City has a comprehensive Risk Management Program designed to identify and control exposure the City may have to financial loss. The program includes safety programs within City departments, risk management controls, purchasing all insurance for the City including worker's compensation, property and liability, disability, dental, life and health insurance. The Risk Manager is also responsible for purchasing employee bonds for various positions as required by State statutes. Over the years, since the establishment of this position, the City has been able to increase its insurance coverage at no cost in many instances. Over the next year, the City will begin the development of an extensive safety and loss control program to help reduce claims in various categories including workers compensation, auto and general liability.

The City self-insures up to certain levels of risk based on an evaluation of the City's financial capability to assume risk and prevailing market conditions for commercial insurance. Presently, the City is self-insured for the first \$100,000 per claim for general, auto, property and public liability. The City also maintains a \$750,000 combined aggregate stop loss on these lines of coverage. The Risk Management Department also manages worker's compensation and heart and hypertension claims. The City is self-insured for the first \$250,000 per claim and maintains an aggregate stop loss on these worker's compensation claims of \$1.5 million. The City is fully self-insured for all heart and hypertension liability. Employee medical benefits are fully insured.

Debt Management

At year-end, the City had outstanding \$80,000,000 in general obligation bonds, \$23,420,066 outstanding in notes, \$35,450,000 in Bond Anticipation Notes and had \$60,654,090 in authorized but unissued debt.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Danbury, Connecticut for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award-recognizing

conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Danbury has received a Certificate of Achievement in each of the last 16 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the dedication and hard work of the entire staff of the Finance Department. I would like to express my appreciation and gratitude to all members of the Department who assisted and contributed to its preparation. I also appreciate the assistance and dedication of the audit team from McGladrey and Pullen, LLP. Finally, I would like to thank the Mayor and the Common Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, reading "Dena Diorio".

Dena R. Diorio
Director of Finance & Personnel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Danbury,
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

**Principal Officials
City of Danbury, Connecticut**

Mayor

Mark D. Boughton

Town Clerk

Joseph L. Scozzafava

Treasurer

Daniel P. Jowdy

City Clerk

Jean Natale

Common Council

Vincent P. Nolan, Jr.
President

Kevin N. Barry
Pauline R. Basso
Georgette M. Burns
Michael J. Calandrino
Joseph M. Cavo
Jane Diggs
John J. Esposito
Louise P. McMahon
Shailesh Nagarsheth
Wanda L. Payton

Robert R. Riley
Thomas J. Saadi
Mary G. Saracino
Gregg W. Seabury
Colleen A. Stanley
Michael J. Steinerd
Mary Teicholz
Charles J. Trombetta
Joel B. Urice
Frederick L. Visconti

Dena Diorio
Director of Finance and Personnel

Daniel G. Garrick
Asst. Director of Finance

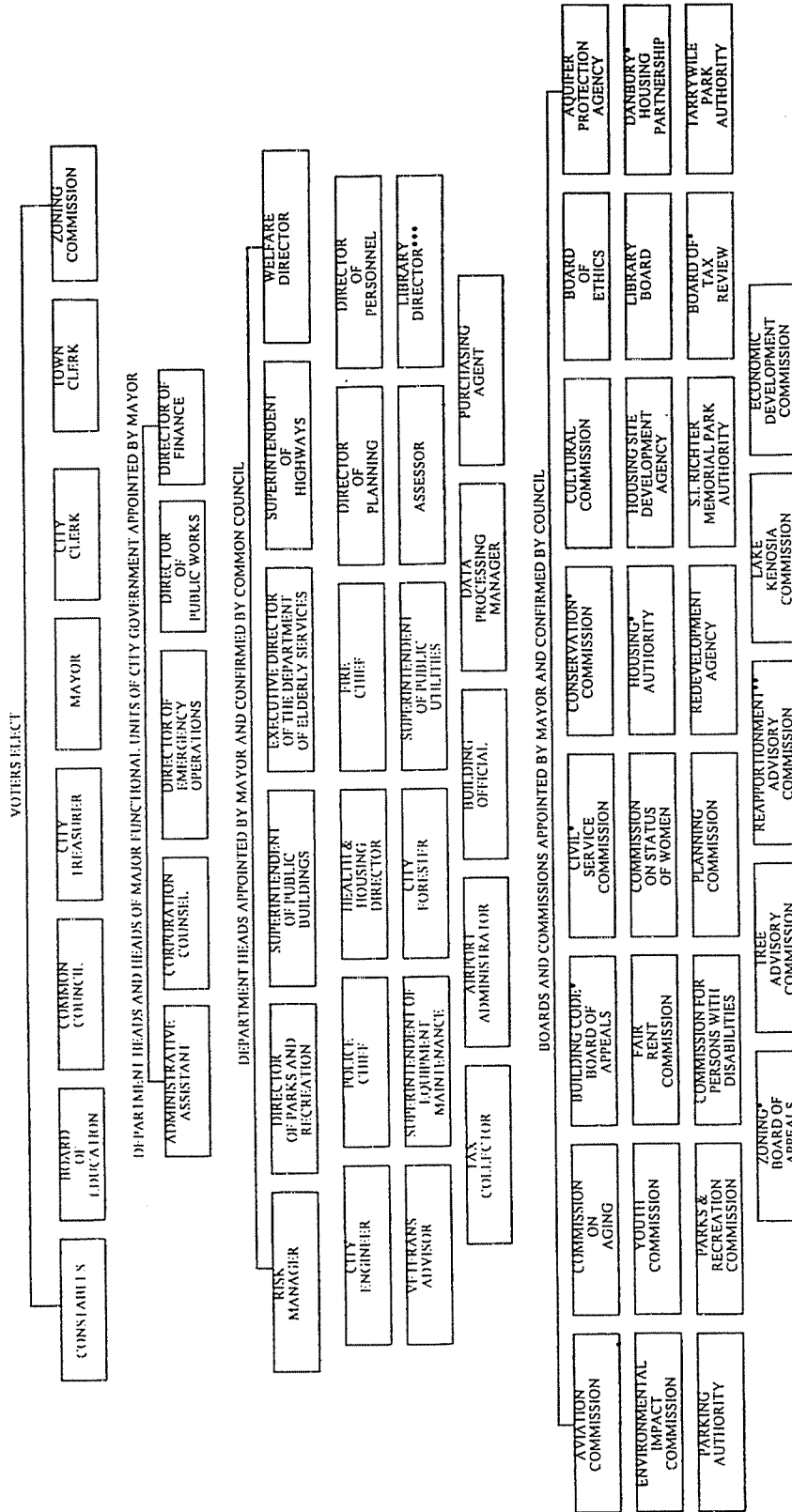
Colleen Velez
Tax Assessor

Catherine Skurat
Tax Collector

Charles Volpe
Purchasing Agent

Wade Anderson
Manager, Info
Technology

ORGANIZATION CHART CITY OF DANBURY, CONNECTICUT



*Appointed by Mayor
 **Method of appointment established in revised charter of City of Danbury
 ***Appointed by Board of Directors of Danbury Library

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Common Council
City of Danbury, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Danbury's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, component units of the City, which financial statements reflect 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, discretely presented component units of the City, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Danbury Parking Authority, the Stanley L. Richter Memorial Park Authority and the Tarrywile Park Authority, discretely presented component units of the City, were not audited in accordance with "Government Auditing Standards." An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Danbury, Connecticut, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the June 30, 2004 government-wide financial statements have been restated for a correction of an error in the recording of infrastructure assets.

In accordance with "Government Auditing Standards," we have also issued our report dated November 10, 2004 on our consideration of the City of Danbury, Connecticut's internal Control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental and combining and individual nonmajor fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental and combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
November 10, 2004

City of Danbury, Connecticut
Management's Discussion and Analysis
June 30, 2004

As management of the City of Danbury, we offer readers of the financial statements this narrative overview and analyses of the financial activities of the City of Danbury for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal.

Financial Highlights

- ◆ On a government-wide basis, excluding component units, the assets of the City of Danbury exceeded its liabilities resulting in net assets at the close of the fiscal year of \$207.8 million. Total net assets for Governmental Activities at fiscal year-end were \$113.6 million and total net assets for Business-Type Activities were \$94.2 million. Net assets for Business-Type Activities increased by \$400,000 or .4%, while net assets as restated for Governmental Activities increased by \$11.2 million or 10.9%. Of the City's total net assets at June 30, 2004, \$13.1 million or 6.3% is unrestricted and may be used to meet the government's obligation to citizens and creditors.
- ◆ On a government-wide basis, during the year, the City's net assets as restated increased by \$11.6 million or 5.9%, from \$196.2 million to \$207.8 million. Government-wide expenses were \$192.2 million, while revenues were \$203.8 million.
- ◆ At the close of the year, the City of Danbury's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$15.4 million, an increase of \$1,526,460 from the prior fiscal year. Fund balance increased from (\$1,398,054) to \$815,675 in the Vision 21 and Vision 21-2 Fund. The change in fund balance is a product of the timing of resource flows into and out of the Vision 21 and Vision 21-2 Fund. The Century 21 PI Fund ended the year with a fund balance (deficit) of (\$297,175) for the same reason.
- ◆ At the end of the current fiscal year, fund balance for the general fund alone was \$12.8 million, representing no change from the prior fiscal year. Of the total general fund balance, \$11.8 million represents unreserved general fund balance. Unreserved general fund balance at year-end represent 7.3% of total general fund expenditures of \$160.6 million.
- ◆ The City of Danbury's total debt increased by \$4.3 million or 20%. The increase is due to an increase in outstanding BAN's for the 21st Century bond issue approved by the voters in March 2004 and an increase in the number of water and sewer assessment projects. During the year, the City refinanced some of its existing debt resulting in present value savings of \$739,278.

Overview of the Financial Statements

This discussion and analyses are intended to serve as an introduction to the City of Danbury's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial

statements. This report also contains other supplementary information as well as the basic financial statements.

It is important to note that the City implemented the new reporting requirements outlined in GASB 34 effective July 1, 2001 (for the fiscal year ending June 30, 2002). The statements contained within this report as of June 30, 2004, therefore are the City of Danbury's third report using the new model.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Danbury's finances, in a manner similar to private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City of Danbury's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the city is improving or deteriorating. It speaks to the question of whether or not, the City, as a whole is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Danbury that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- ◆ Governmental activities of the City of Danbury encompass most of the City's basic services and include general government, public safety, public works, health and welfare, culture and recreation, education and other activities. Property taxes, charges for services and state and federal grants finance most of these activities.
- ◆ Business-type activities of the City of Danbury include the Water and Sewer funds. They are reported here as the City charges a fee to customers to help cover all or most of the cost of the operations.
- ◆ The government-wide financial statements include not only the City of Danbury itself, but also three legally separate component units, the Danbury Parking Authority, the Richter Park Authority and the Tarrywile Park Authority for which the City of Danbury is financially

accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City of Danbury, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Danbury can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Danbury maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Vision 21 and Vision 21 – 2 Bond Issues Fund, and the Century 21 PI Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as other governmental funds. Non-major governmental funds for the City of Danbury include the School Lunch Program Fund, the Community Development Block Grant Fund, the WIC Grant Fund, the Continuing Education Fund, the Animal Control Fund, the School-Based Health Center Grant Fund, the Ambulance Fund, the LOCIP Fund, Airport Projects Fund, State and Federal School Projects Fund, the Library Fund, the Railyard Parking Lease Fund, Miscellaneous Special Revenue Fund, the City Projects Fund, the Cityworks 2000 Fund, and the Farioly Permanent Fund. The Miscellaneous Special Revenue Fund is the consolidation of 55 small grant programs that have been combined for the purposes of financial reporting. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Danbury adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget.

The basic governmental fund financial statements can be found on pages 20-21 of this report.

Proprietary funds. The City of Danbury maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Danbury uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the City of Danbury.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City constituency. The City has six pension funds trust funds, one private purpose fund and eight agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-72 of this report.

The notes to this report also contain certain information concerning the City of Danbury's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the City of Danbury, assets exceeded liabilities by \$207.8 million at June 30, 2004. This is an increase of \$11.6 million (as restated) from the previous fiscal year.

CITY OF DANBURY, CONNECTICUT
NET ASSETS, (\$000s)

	June 30, 2003			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 31,225	\$ 4,942	\$ 36,167	\$ 52,601	\$ 13,879	\$ 66,480
Non-current	8,810	3,482	12,292	7,482	1,147	8,629
Capital assets	174,911	145,002	319,913	170,890	143,495	314,385
Total Assets	214,946	153,426	368,372	230,973	158,521	389,494
Current liabilities	28,370	10,845	39,215	36,992	7,617	44,609
Long-term liabilities outstanding	69,763	48,811	118,574	80,417	56,701	137,118
Total Liabilities	98,133	59,656	157,789	117,409	64,318	181,727
Net assets:						
Invested in capital assets, net of related debt	103,874	95,715	199,589	105,468	87,726	193,194
Restricted	1,477	-	1,477	1,477	-	1,477
Unrestricted	11,463	(1,945)	9,518	6,619	6,477	13,096
Total Net Assets	\$ 116,814	\$ 93,770	\$ 210,584	\$ 113,564	\$ 94,203	\$ 207,767

At the end of the current fiscal year, the City of Danbury is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

On a government-wide basis excluding component units, the assets of the City of Danbury exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$207.8 million. This is up from last year's net assets as restated of \$196.2 million. Total assets for Governmental Activities at fiscal year-end were \$113.6 million (up from the restated balance of \$102.4 million in the previous year) and total net assets for Business-type activities were \$94.2 million (up from \$93.8 million in the previous year). Of the City's total net assets at June 30, 2004, \$13.1 million or 6.3% is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$9.5 million or 4.5% unrestricted.

By far the largest portion of the City of Danbury's net assets (93%) reflects its investment in capital assets (e.g., land, buildings machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Danbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Danbury's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF DANBURY, CONNECTICUT
CHANGES IN NET ASSETS (\$000s)**

	Year Ended June 30, 2003			Year Ended June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 13,855	\$ 11,479	\$ 25,334	\$ 16,062	\$ 13,269	\$ 29,331
Operating Grants and Contributions	35,935	811	36,746	36,410	-	36,410
Capital Grants and Contributions	1,889	1,883	3,772	3,478	385	3,863
Donated capited assets	-	-	-	7,563	-	7,563
General Revenues:						
Property Taxes	115,198	-	115,198	119,766	-	119,766
Grants not restricted to specific programs	7,727	-	7,727	6,994	-	6,994
Loss on disposal of capital assets	-	-	-	(955)	-	(955)
Unrestricted investment earnings	249	412	661	437	397	834
Total Revenues	174,853	14,585	189,438	189,755	14,051	203,806
Expenses:						
General Government	11,024	-	11,024	8,809	-	8,809
Public Safety	33,711	-	33,711	36,648	-	36,648
Public Works	10,178	13,133	23,311	9,290	13,618	22,908
Health and Welfare	5,282	-	5,282	4,884	-	4,884
Culture and Recreation	5,662	-	5,662	5,086	-	5,086
Education	104,144	-	104,144	109,575	-	109,575
Other	746	-	746	1,118	-	1,118
Interest on long-term debt	2,664	-	2,664	3,183	-	3,183
Total Expenses	173,411	13,133	186,544	178,593	13,618	192,211
Change in net assets	1,442	1,452	2,894	11,162	433	11,595
Net assets – beginning	115,372	92,318	207,690	116,814	93,770	210,584
Infrastructure restatement	-	-	-	(14,412)	-	(14,412)
Net assets, as restated	-	-	-	102,402	93,770	196,172
Net assets - ending	\$ 116,814	\$ 93,770	\$ 210,584	\$ 113,564	\$ 94,203	\$ 207,767

* Beginning net assets have been restated to correct an error in recording infrastructure assets on July 1, 2002.

Danbury's net assets increased by \$11.6 million during the fiscal year, with net assets of Governmental Activities increasing by \$11.2 million, and net assets of Business-Type Activities increasing by \$433,000. The increase in net assets within both Governmental and Business-Type Activities is due to the degree to which increases in on-going revenues have exceeded increases in expenses.

Government Activities

For Governmental activities, more than 65.4% of the revenues were derived from property taxes followed by 30.5% from program revenues, then 3.9% from unrestricted grants, and finally about .2% of the City's revenue in this fiscal year was derived from investment earnings.

Major revenue factors included:

- ◆ Property tax revenues recorded for fiscal year 2004 reflect growth in the total assessed value of property of 7.2%
- ◆ Charges for services for fiscal year 2004 increased due to improved conveyance tax collections, and better than anticipated building permit revenues and Town Clerk Fees.

For Governmental Activities, more than 61.4% of the City's expenditures relate to education, 20.5% relate to public safety, 5.2% for public works, 4.9% for general government, 2.9% for cultural and recreation, 2.7% for health and welfare, 1.8% for interest on long-term debt and finally .6% for other activities.

Major expenditure factors included:

- ◆ Employee benefit costs and other types of insurance including worker's compensation, automobile, public liability, fire, and uninsured losses increased by almost \$2.0 million or 12.7%.
- ◆ Expenditures for education increased \$5.4 million or 5.2% reflecting the rising cost of education.

Business-Type Activities

Business-Type activities increased the City's net assets by \$433,000, relatively flat from the prior fiscal year. Factors impacting the flat growth include:

Charges for services rose by \$1.8 million, an increase of 16% from the prior year. However, this was offset by a significant reduction in contributed capital which totaled \$385,556 for both funds. This is a reduction of \$1,497,051 or 80% from the prior fiscal year.

Financial Analysis of the Fund Financial Statements

As noted earlier, the City of Danbury uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Danbury's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Danbury's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Danbury's governmental funds reported combined ending fund balances of \$15.4 million. This includes a negative fund balance of \$297,175 in the Century 21 PI Bond Fund that will be eliminated through future debt issuance. The General Fund and Other Governmental Funds reported fund balances of \$12.8 million and \$2.0 million respectively. Approximately \$11.8 million of the general fund's total fund balance constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of General Fund's fund balance, \$1.1 million, is reserved to liquidate contracts and purchase orders of the prior period, and is not available for new spending.

The general fund is the chief operating fund of the City of Danbury. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11.8 million while total fund balance reached \$12.8. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.3% of total general fund expenditures, while total fund balance represents 8.0% of that same amount.

The fund balance of the City of Danbury's general fund on a budgetary basis, increased by \$589,591 during the current fiscal year. Key factors in this increase are as follows:

- ◆ The adopted budget included a \$3,475,000 drawdown of fund balance. Strong revenue collections in several areas negated the use of fund balance.
- ◆ Actual revenues exceeded budgeted revenues by \$2.9 million. Licenses & Permits exceeded budget by approximately \$1.1 million or 39.6%. This is due to stronger than anticipated conveyance tax receipts, building permit revenue and the collection of Town Clerk fees.
- ◆ Fines and Penalties exceeded budget by \$372,146 or 44.4%. This is attributed to increases in tax lien fees and parking violations.

The Vision 21 Bond Issue Fund has a total fund balance of \$815,675, up from (\$1,389,054) in the prior year. The decrease in the deficit is due to the timing of the City's last bond sale, which occurred in July 2003. The Century 21 PI Bond Issue Fund has a total fund balance of (\$297,175). The fund deficit will be eliminated through future debt issuance.

The Other Governmental Funds has a total fund balance of \$2.0 million, down from \$2.5 million in the prior year. The \$500,000 decrease was due to a transfer to the General Fund totaling \$500,000 from the ambulance fund.

Proprietary funds. The City of Danbury's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Water Fund at the end of the year were \$47.6 million. The fund experienced an operating income during the year of \$332,169, however, capital contributions totaling only \$184,604, resulted in the fund decreasing its net assets by \$112,068. Unrestricted net assets at year-end totaled \$5.7 million.

Net assets of the Sewer Fund at the end of the year were \$46.6 million. The fund had an operating income of \$812,673. That and an infusion of cash from BAN proceeds helped to increase the fund's overall net assets by \$545,375. Unrestricted net assets of the Sewer Fund were \$803,468.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$988,094. The major additional appropriations approved during the year are summarized below:

- ◆ \$310,000 additional appropriations to various departments throughout the City for snow removal and weather related expenses.
- ◆ \$90,603 additional appropriation for the Board of Education to provide additional funding for educational programs.
- ◆ \$525,000 to the Police Department for extra duty services that are offset by revenues received from those receiving the service.

During the year, actual revenues on a budgetary basis were \$154.4 million, which exceeded budgetary estimates by \$2.9 million. General property taxes exceeded budget by \$1.0 million and Licenses & Permits exceeded budgetary estimates by \$1.1 million due to better than anticipated conveyance tax receipts, building permit revenues and Town Clerk fees. Revenues derived from fines and penalties exceeded estimates by \$372,146 due to higher than anticipated parking ticket receipts and interest and liens on delinquent taxes. Actual investment income was \$87,401 higher than the budget of \$350,000.

Actual expenditures on a budgetary basis totaled \$153.8 million, which were less than actual revenues on a budgetary basis by \$589,591.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2004, the City of Danbury's investment in capital assets as restated for its governmental and business-type activities amounted to \$314.4 million, net of accumulated depreciation. This investment in capital assets includes land, building and land improvements, machinery and equipment and infrastructure. The total increase in the City of Danbury's investment in capital assets for the current fiscal year was \$8.9 million or 2.9%.

**CITY OF DANBURY, CONNECTICUT
CAPITAL ASSETS (net of depreciation)**

	June 30, 2003-As Restated			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 31,345,073	\$ 1,031,946	\$ 32,377,019	\$ 39,382,873	\$ 1,031,946	\$ 40,414,819
Land Improvements	6,982,065	-	6,982,065	6,721,017	-	6,721,017
Buildings and Improvements	69,101,861	74,469,086	143,570,947	67,308,575	72,229,821	139,538,396
Machinery and Equipment	7,096,682	400,284	7,496,966	6,484,517	376,367	6,860,884
Infrastructure	45,097,671	67,719,636	112,817,307	46,502,555	67,851,749	114,354,304
Other	-	343,740	343,740	-	323,381	323,381
Construction in Progress	876,152	1,037,817	1,913,969	4,489,986	1,681,218	6,171,204
Total	\$ 160,499,504	\$ 145,002,509	\$ 305,502,013	\$ 170,889,523	\$ 143,494,482	\$ 314,384,005

* Capital Assets for June 30, 2003 have been restated to correct an error in recording infrastructure assets in June 2003.

Major capital asset events during the current fiscal year included the following:

- ◆ Improvements to various schools and public safety facilities totaling \$992,500.
- ◆ Land acquisition and renovations to the City's parks totaling \$7.6 million.
- ◆ Infrastructure improvements including sidewalks, roads and bridges totaling approximately \$3.0 million.

Additional information on the City of Danbury's capital assets can be found in note 7 on pages 50-59 of this report.

Long-term debt. At the end of the current fiscal year the City of Danbury had total bonded debt outstanding of \$80,000,000 million. 100% of this debt is backed by the full faith and credit of the city government.

**CITY OF DANBURY, CONNECTICUT
LONG-TERM DEBT**

	June 30, 2003			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 50,009,500	\$ 23,315,350	\$ 73,324,850	\$ 58,126,800	\$ 21,873,200	\$ 80,000,000
Bond anticipation notes	16,370,000	-	16,370,000	24,900,000	10,550,000	35,450,000
Notes payable	161,335	25,965,223	26,126,558	74,224	23,345,842	23,420,066
Total	\$ 66,540,835	\$ 49,280,573	\$ 115,821,408	\$ 83,101,024	\$ 55,769,042	\$ 138,870,066

The City of Danbury's total debt increased by \$23.1 million or 20% during the current fiscal year. During the year, the City issued Bond Anticipation Notes totaling \$34,450,000.

Repayments over the course of the year totaling \$16,370,000 resulted in an outstanding balance at June 30, 2004 of \$35,450,000. The City also refinanced some of its existing debt to take advantage of favorable interest rates that resulted in present value savings of \$739,000.

The City of Danbury maintains the following ratings from Wall Street's credit agencies for general obligation debt: an Aa2 rating from Moody's Investors Service, and AA from Standard and Poors.

The overall statutory debt limit for the City of Danbury is equal to seven times annual receipts from taxation or \$852,797,890. As of June 30, 2004, the City recorded long-term debt of \$83.1 million related to Governmental Activities and \$55.8 million related Business-Type Activities, well below its statutory debt limit.

Additional information on the City of Danbury's long-term debt can be found in the notes to the financial statements.

Cash Management Policies and Practices. At June 30, 2004, the City had \$60.1 million in cash and cash equivalents. The City also had \$200.0 million of investments representing assets in the City's six pension funds.

With the exception of the six pension funds, the City's operating and working capital funds are invested at the direction of the City Treasurer in the following short-term investments: (1) various certificates of deposit with Connecticut banks; (2) money market accounts; (3) overnight repurchase agreements collateralized by U.S. government agency obligations such as Federal Home Loan Mortgage Corporation which are valued daily; (4) overnight U.S. Treasury obligations; (5) an investment pool investing only in (a) high grade, short-term federal securities and variable rate obligations faced by federal agencies having monthly or quarterly assets based on indices like the prima rate, LIBOR, or a combination of the two, and (b) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefits of the Pool's participants.

Pension Administration. The City maintains six distinct pension plans covering substantially all of its employees, except teachers who are covered by the State Teachers' Retirement Fund. The City does not contribute to the State Teachers' Retirement Fund. The General Employee's Plan is a non-contributory defined benefit plan. The remaining five plans – Post-1983 Police; Post-1967 Fire; Post-1967 Police; Pre-1967 Fire and Pre-1967 Police, are contributory defined benefit plans. Police contribute 4% of their wages to the plans, while fire contribute 5%. The City's funding policy is to make contributions on an actuarial cost basis, which includes normal cost plus an amortization of the unfunded past service liability. Total employer pension contributions for the year ended June 30, 2004 were \$4,081,858.

As of June 30, 2004, the six plans had aggregate net assets of \$215.3 million, up \$21.6 million from \$193.7 million on June 30, 2003. The City prepares valuations of its pension plans every other year. At the latest actuarial valuation dates, the City's six pension trust funds had assets, in the aggregate on an actuarial basis, of \$216.3 million, while the actuarial accrued liability was \$210.7. On an actuarial accrued basis, the City's liability was in the aggregate, 103% funded.

Economic Factors and Next Year's Budgets and Rates

Although the City of Danbury has not been immune from the effects of the national economic downturn, things are improving. As of June 2004, the unemployment rate for the Danbury Labor Market Area was 3.2% down slightly from 3.4% in the prior year. The City of Danbury's unemployment rate was 3.7% down from 4.5% at June 30, 2003. Connecticut's overall unemployment rate was 4.6% at June 30, 2004, down from 5.2% a year ago. However, while the economy is improving, Connecticut state government is once again reporting revenue shortfalls that may translate into reductions in State aid to the City of Danbury and other municipalities in the State.

The City of Danbury is benefiting from improved economic conditions. The City continues to see growth in its housing market, in terms of the construction of new units and increased property values. In addition, corporations in Danbury are expanding their presence in the City, demonstrating that Danbury is a desirable location to do business.

Finally, the City's diverse, high quality tax base lends stability to the City's revenue stream and Danbury expects to retain its competitive advantage in Northern Fairfield County.

Requests for Information

The financial report is designed to provide a general overview of the City of Danbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Personnel at 155 Deer Hill Avenue, Danbury, CT 06810.

Basic Financial Statements

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CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 36,002,691	\$ 10,821,042	\$ 46,823,733
Receivables (net of allowances for collection losses):			
Property taxes	2,672,287	-	2,672,287
Unbilled services	-	1,811,128	1,811,128
Special assessments	-	474,881	474,881
Accounts receivable	2,612,702	-	2,612,702
Federal and state governments	6,646,109	-	6,646,109
Other	387,942	890,984	1,278,926
Inventories	54,785	-	54,785
Other assets	110,189	296,481	406,670
Internal balances	4,114,000	(4,114,000)	-
Noncurrent assets:			
Capital assets, not being depreciated	43,872,859	2,713,164	46,586,023
Capital assets, net of accumulated depreciation	127,016,664	140,781,318	267,797,982
Special assessments receivable	-	3,698,408	3,698,408
Deferred charges, net of accumulated amortization	1,518,927	1,147,342	2,666,269
Federal and state government receivables	5,963,096	-	5,963,096
Total assets	230,972,251	158,520,748	389,492,999
Liabilities			
Accounts payable	7,629,390	682,334	8,311,724
Accrued liabilities	3,995,361	309,540	4,304,901
Unearned revenues	2,514,309	6,624,973	9,139,282
Deferred charges	1,567,594	-	1,567,594
Bond anticipation notes payable	21,285,000	-	21,285,000
Noncurrent liabilities:			
Due within one year	9,233,309	13,169,382	22,402,691
Due in more than one year	71,183,578	43,531,479	114,715,057
Total liabilities	117,408,541	64,317,708	181,726,249
Net Assets			
Investment in capital assets, net of related debt	105,467,747	87,725,590	193,193,337
Restricted for library	1,477,174	-	1,477,174
Unrestricted	6,618,789	6,477,450	13,096,239
Total net assets	\$ 113,563,710	\$ 94,203,040	\$207,766,750

The notes to the financial statements are an integral part of this statement.

* After internal receivables and payables have been eliminated.

Component Units		
Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority
\$ 471,559	\$ 129,778	\$ 57,531
43,086	-	-
-	-	-
-	-	-
-	-	-
-	-	1,495
-	-	-
-	-	-
9,000	-	-
5,426	-	13,125
-	-	-
-	-	-
118,682	3,482,869	26,465
-	-	-
-	-	-
-	-	-
647,753	3,612,647	98,616
13,515	-	30,696
35,461	13,710	4,397
21,090	-	-
-	-	-
-	-	-
-	59,128	-
-	123,862	-
70,066	196,700	35,093
118,682	3,299,879	26,465
-	-	-
459,005	116,068	37,058
\$ 577,687	\$ 3,415,947	\$ 63,523

CITY OF DANBURY, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ (8,809,222)	\$ 7,331,519	\$ 1,177,337	\$ 437,775
Public safety	(36,648,212)	169,473	761,254	60,564
Public works	(9,290,186)	-	176,203	1,261,190
Health and welfare	(4,884,608)	3,358,228	996,196	-
Culture and recreation	(5,085,626)	-	192,262	7,563,300
Education	(109,575,356)	5,153,043	33,106,479	1,719,813
Other	(1,117,770)	49,525	-	-
Interest on long-term debt	(3,183,369)	-	-	-
Total governmental activities	(178,594,349)	16,061,788	36,409,731	11,042,642
Business-type activities:				
Sewer	(7,932,356)	8,013,875	-	200,952
Water	(5,685,209)	5,254,670	-	184,604
Total business-type activities	(13,617,565)	13,268,545	-	385,556
Total primary government	(192,211,914)	29,330,333	36,409,731	11,428,198
Component Units:				
Danbury Parking Authority	(777,506)	764,186	3,136	-
Richter Park Authority	(1,740,639)	1,504,419	-	-
Tarrywile Park Authority	(385,322)	130,778	245,000	-
Total component units	\$ (2,903,467)	\$ 2,399,383	\$ 248,136	\$ -

General revenues:

Property taxes
 Grants and contributions not restricted to specific programs
 Unrestricted investment earnings
 Loss on disposal of capital assets
 Total general revenues
 Change in net assets
 Net assets - beginning, as restated (Note 7)
 Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets								
Primary Government			Component Units					
Governmental Activities	Business-type Activities	Total	Danbury Parking Authority	Richter Park Authority	Tarrywile Park Authority			
\$ 137,409	\$ -	\$ 137,409	\$ -	\$ -	\$ -			
(35,656,921)	-	(35,656,921)	-	-	-			
(7,852,793)	-	(7,852,793)	-	-	-			
(530,184)	-	(530,184)	-	-	-			
2,669,936	-	2,669,936	-	-	-			
(69,596,021)	-	(69,596,021)	-	-	-			
(1,068,245)	-	(1,068,245)	-	-	-			
(3,183,369)	-	(3,183,369)	-	-	-			
(115,080,188)	-	(115,080,188)	-	-	-			
-	282,471	282,471	-	-	-			
-	(245,935)	(245,935)	-	-	-			
-	36,536	36,536	-	-	-			
(115,080,188)	36,536	(115,043,652)	-	-	-			
-	-	-	(10,184)	-	-			
-	-	-	-	(236,220)	-			
-	-	-	-	-	(9,544)			
-	-	-	(10,184)	(236,220)	(9,544)			
119,765,722	-	119,765,722	-	-	-			
6,993,752	-	6,993,752	-	-	-			
437,402	396,771	834,173	5,850	1,303	392			
(955,327)	-	(955,327)	-	-	-			
126,241,549	396,771	126,638,320	5,850	1,303	392			
11,161,361	433,307	11,594,668	(4,334)	(234,917)	(9,152)			
102,402,349	93,769,733	196,172,082	582,021	3,650,864	72,675			
\$ 113,563,710	\$ 94,203,040	\$ 207,766,750	\$ 577,687	\$ 3,415,947	\$ 63,523			

CITY OF DANBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General	Vision 21 and Vision 21 ²	Century 21 PI	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,189,437	\$ 5,989,383	\$ 14,902,701	\$ 6,921,161	\$ 36,002,682
Receivables (net of allowances for collection losses):					
Property taxes	2,672,287	-	-	-	2,672,287
Accounts receivable	-	-	-	386,797	386,797
State and federal governments	4,390,827	339,963	-	1,915,320	6,646,110
Other	777,767	-	-	60,876	838,643
Inventories	-	-	-	54,784	54,784
Other assets	110,189	-	-	-	110,189
Due from other funds	7,523,106	-	-	60,694	7,583,800
Total assets	<u>\$ 23,663,613</u>	<u>\$ 6,329,346</u>	<u>\$ 14,902,701</u>	<u>\$ 9,399,632</u>	<u>\$ 54,295,292</u>
Liabilities					
Accounts payable	\$ 4,424,329	\$ 228,671	\$ 199,876	\$ 1,638,423	\$ 6,491,299
Accrued wages	2,893,289	-	-	-	2,893,289
Due to other funds	10,049	-	-	3,459,751	3,469,800
Deferred revenues	3,493,914	-	-	1,263,941	4,757,855
Bond anticipation notes payable	-	5,285,000	15,000,000	1,000,000	21,285,000
Total liabilities	<u>10,821,581</u>	<u>5,513,671</u>	<u>15,199,876</u>	<u>7,362,115</u>	<u>38,897,243</u>
Fund Balances (Deficits)					
Reserved for:					
Inventories	-	-	-	54,784	54,784
Encumbrances	1,080,103	1,462,266	4,973,639	-	7,516,008
Permanent fund	-	-	-	1,477,174	1,477,174
Unreserved, reported in:					
General fund	11,761,929	-	-	-	11,761,929
Special revenue funds	-	-	-	1,364,284	1,364,284
Capital projects funds	-	(646,591)	(5,270,814)	(878,775)	(6,796,180)
Permanent fund	-	-	-	20,050	20,050
Total fund balances (deficits)	<u>12,842,032</u>	<u>815,675</u>	<u>(297,175)</u>	<u>2,037,517</u>	<u>15,398,049</u>
Total liabilities and fund balances (deficits)	<u>\$ 23,663,613</u>	<u>\$ 6,329,346</u>	<u>\$ 14,902,701</u>	<u>\$ 9,399,632</u>	

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets, net of accumulated depreciation of \$124,603,973, purchased by governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the City as a whole.	170,889,523
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized.	7,738,301
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(80,462,163)

Net assets of governmental activities \$ 113,563,710

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004**

	General	Vision 21 and Vision 21 ²	Century 21 PI	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 119,645,762	\$ -	\$ -	\$ -	\$ 119,645,762
State and federal governments	30,057,588	1,719,813	-	18,845,894	50,623,295
Licenses and permits	4,042,900	-	-	17,255	4,060,155
Charges for services	3,218,622	-	-	4,498,250	7,716,872
Fines and penalties	1,210,448	-	-	-	1,210,448
Investment income	437,401	-	-	29,876	467,277
Other	61,038	-	-	564,490	625,528
Total revenues	158,673,759	1,719,813	-	23,955,765	184,349,337
EXPENDITURES					
Current:					
General government	8,011,648	-	-	768,649	8,780,297
Public safety	21,086,583	-	-	2,202,009	23,288,592
Public works	5,907,028	-	-	1,504,370	7,411,398
Health and welfare	4,299,602	-	-	2,486,869	6,786,471
Culture and recreation	3,955,294	-	-	190,930	4,146,224
Education	89,066,006	-	-	17,079,579	106,145,585
Pension and other employee benefits	17,506,130	-	-	-	17,506,130
Other	1,560,649	-	-	-	1,560,649
Debt service:					
Principal retirements	5,074,461	-	-	-	5,074,461
Interest and other changes	2,219,285	-	-	-	2,219,285
Capital outlay	1,963,023	3,482,904	297,175	575,700	6,318,802
Total expenditures	160,649,709	3,482,904	297,175	24,808,106	189,237,894
Revenues under expenditures	(1,975,950)	(1,763,091)	(297,175)	(852,341)	(4,888,557)
OTHER FINANCING SOURCES (USES)					
Transfers in	500,000	-	-	912,879	1,412,879
Transfers out	(669,699)	(243,180)	-	(500,000)	(1,412,879)
Bond anticipation notes issued	-	4,220,000	-	-	4,220,000
Refunding bonds issued	14,048,000	-	-	-	14,048,000
Payment to refunded bonds escrow agent	(14,955,050)	-	-	-	(14,955,050)
Premium on bonds issued	1,188,599	-	-	-	1,188,599
Lease financing	1,913,468	-	-	-	1,913,468
Total other financing sources	2,025,318	3,976,820	-	412,879	6,415,017
Net change in fund balances	49,368	2,213,729	(297,175)	(439,462)	1,526,460
FUND BALANCES (DEFICITS), beginning	12,792,664	(1,398,054)	-	2,476,979	13,871,589
FUND BALANCES (DEFICITS), ending	\$ 12,842,032	\$ 815,675	\$ (297,175)	\$ 2,037,517	\$ 15,398,049

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 1,526,460
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,830,080
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	6,607,973
Revenues previously recognized in the statement of activities, that provided current financial resources in the current year.	(1,172,077)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	805,259
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(436,334)</u>
Change in net assets of governmental activities	<u>\$ 11,161,361</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive (Negative)
REVENUES				
General property taxes	\$ 118,624,972	\$ 118,624,972	\$ 119,645,762	\$ 1,020,790
Federal and state governments	25,324,849	25,324,849	25,227,934	(96,915)
Licenses and permits	2,895,599	2,895,599	4,042,900	1,147,301
Charges for services	2,214,941	2,915,014	3,218,622	303,608
Fines and penalties	838,302	838,302	1,210,448	372,146
Investment income	350,000	350,000	437,401	87,401
Other	37,100	602,150	626,223	24,073
Total revenues	150,285,763	151,550,886	154,409,290	2,858,404
EXPENDITURES				
Current:				
General government	8,017,098	8,160,173	7,956,227	203,946
Public safety	20,699,823	21,239,192	20,956,860	282,332
Public works	5,583,595	5,870,427	5,822,399	48,028
Health and welfare	2,767,827	2,779,802	2,702,497	77,305
Culture and recreation	3,953,652	3,966,677	3,938,806	27,871
Education	85,731,685	85,822,288	85,734,789	87,499
Pension and other employee benefits	17,653,144	17,622,004	17,482,243	139,761
Other	981,093	1,112,233	798,026	314,207
Capital outlay	-	383,066	165,862	217,204
Contingency	850,985	465,999	465,999	-
Debt service:				
Principal retirements	5,609,462	5,607,710	5,576,706	31,004
Interest	2,412,399	2,219,286	2,219,285	1
Total expenditures	154,260,763	155,248,857	153,819,699	1,429,158
Revenues over (under) expenditures	\$ (3,975,000)	\$ (3,697,971)	589,591	\$ 4,287,562
UNRESERVED BUDGETARY FUND				
BALANCE, beginning			11,449,766	
Total unreserved budgetary fund balance			12,039,357	
Less: Nonbudgetary accruals and reserves			(277,428)	
UNRESERVED FUND BALANCE, ending			\$ 11,761,929	

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,245,132	\$ 5,575,910	\$ 10,821,042
Receivables (net of allowances for collection losses):			
Unbilled services	883,717	927,411	1,811,128
Special assessments receivable	267,365	207,516	474,881
Other	306,360	584,624	890,984
Due from other funds	-	36,000	36,000
Inventories	296,481	-	296,481
Total current assets	6,999,055	7,331,461	14,330,516
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	63,894,677	79,599,805	143,494,482
Special assessments receivable	1,031,485	2,666,923	3,698,408
Other assets (net of accumulated amortization)	1,053,770	93,572	1,147,342
Total noncurrent assets	65,979,932	82,360,300	148,340,232
Total assets	72,978,987	89,691,761	162,670,748
LIABILITIES			
Current liabilities:			
Accrued liabilities	568,601	113,733	682,334
Accounts payable	192,600	116,940	309,540
Due to other funds	1,800,000	2,350,000	4,150,000
Deferred revenues	-	6,624,973	6,624,973
Notes payable - current	4,250,000	8,919,382	13,169,382
Total current liabilities	6,811,201	18,125,028	24,936,229
Noncurrent liabilities:			
Notes payable (net of unamortized discount)	-	20,726,460	20,726,460
Bonds payable (net of unamortized discount)	17,718,050	4,155,000	21,873,050
Other liabilities (net of accumulated amortization)	849,127	82,842	931,969
Total noncurrent liabilities	18,567,177	24,964,302	43,531,479
Total liabilities	25,378,378	43,089,330	68,467,708
NET ASSETS			
Invested in capital assets (net of related debt)	41,926,627	45,798,963	87,725,590
Unrestricted	5,673,982	803,468	6,477,450
Total net assets	\$ 47,600,609	\$ 46,602,431	\$ 94,203,040

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Charges for services	\$ 5,254,670	\$ 6,977,935	\$ 12,232,605
Septic and connection fees	-	1,035,940	1,035,940
Total operating revenues	<u>5,254,670</u>	<u>8,013,875</u>	<u>13,268,545</u>
OPERATING EXPENSES			
Salaries, benefits and claims	2,290,276	-	2,290,276
Materials and supplies	400,379	-	400,379
Depreciation	1,255,297	2,631,931	3,887,228
Utilities	396,583	-	396,583
Administration and operation	579,966	4,569,271	5,149,237
Total operating expenses	<u>4,922,501</u>	<u>7,201,202</u>	<u>12,123,703</u>
Operating income	<u>332,169</u>	<u>812,673</u>	<u>1,144,842</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	133,867	262,904	396,771
Interest expense	(762,708)	(731,154)	(1,493,862)
Total nonoperating revenues (expenses)	<u>(628,841)</u>	<u>(468,250)</u>	<u>(1,097,091)</u>
Net income (loss) before capital contributions	<u>(296,672)</u>	<u>344,423</u>	<u>47,751</u>
CAPITAL CONTRIBUTIONS	<u>184,604</u>	<u>200,952</u>	<u>385,556</u>
Change in net assets	<u>(112,068)</u>	<u>545,375</u>	<u>433,307</u>
FUND NET ASSETS, beginning	<u>47,712,677</u>	<u>46,057,056</u>	<u>93,769,733</u>
FUND NET ASSETS, ending	<u>\$ 47,600,609</u>	<u>\$ 46,602,431</u>	<u>\$ 94,203,040</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,669,867	\$ 7,475,752	\$ 12,145,619
Payments to suppliers	(143,075)	(3,985,647)	(4,128,722)
Payments to employees	(2,168,275)	-	(2,168,275)
Net cash provided by operating activities	2,358,517	3,490,105	5,848,622
Cash Flows From Capital and Related Financing Activities			
Principal payments on debt	(1,233,499)	(2,963,382)	(4,196,881)
Refunded debt	(10,186,650)	(990,000)	(11,176,650)
Proceeds of notes	14,564,000	7,298,000	21,862,000
Disposal of capital assets	10,187	-	10,187
Interest paid on debt	(762,708)	(731,154)	(1,493,862)
Capital contributions	184,604	200,952	385,556
Purchase of capital assets	(500,569)	(1,888,819)	(2,389,388)
Net cash provided by capital and related financing activities	2,075,365	925,597	3,000,962
Cash Flows From Investing Activities			
Interest received on investments	133,867	262,904	396,771
Net cash provided by investing activities	133,867	262,904	396,771
Net increase in cash and cash equivalents	4,567,749	4,678,606	9,246,355
Cash and Cash Equivalents			
Beginning	677,383	897,304	1,574,687
Ending	\$ 5,245,132	\$ 5,575,910	\$ 10,821,042
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 332,169	\$ 812,673	\$ 1,144,842
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,255,297	2,631,931	3,887,228
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(335,651)	43,602	(292,049)
Increase in other receivables	(44,454)	(70,990)	(115,444)
Decrease in inventories	48,746	-	48,746
Increase in other assets	(1,053,770)	(93,572)	(1,147,342)
Decrease (increase) in accrued expenses	57,205	(166,377)	(109,172)
Increase in due to other funds	1,250,000	750,000	2,000,000
Decrease in deferred revenue	-	(500,004)	(500,004)
Increase in other liabilities	848,975	82,842	931,817
Net cash provided by operating activities	\$ 2,358,517	\$ 3,490,105	\$ 5,848,622

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2004

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 10,488,016	\$ 1,343	\$ 2,794,472
Investments, at fair value			
U.S. government obligations	26,349,211	-	-
Corporate bonds	14,255,860	-	-
Corporate stocks	96,618,924	-	-
Mutual funds	30,338,729	-	-
Unit investment trust	663,730	-	-
Other real/appraised assets	31,849,001	-	-
Total investments	200,075,455	-	-
Contribution receivable	4,080,000	-	-
Accrued interest and dividends	559,648	-	-
Pending sales	631,848	-	-
Other receivables	-	-	1,693
Total assets	215,834,967	1,343	2,796,165
LIABILITIES			
Pending purchases	502,076	-	-
Other liabilities	-	-	2,796,165
	502,076	-	2,796,165
Net Assets Held in Trust for Pension			
Benefits and Other Purposes	\$ 215,332,891	\$ 1,343	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Year Ended June 30, 2004

	Pension Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 4,080,000	\$ -
Plan members	607,689	-
Total contributions	4,687,689	-
Investment Income		
Net appreciation in fair value of investments	22,910,393	-
Interest and dividends	5,719,659	21
	28,630,052	21
Less investment expenses:		
Investment management fees	1,339,544	-
	27,290,508	21
Total additions	31,978,197	21
Deductions		
Benefits paid	10,352,025	-
	21,626,172	21
Change in net assets		
Net Assets		
Beginning of year	193,706,719	1,322
End of year	\$ 215,332,891	\$ 1,343

The notes to the financial statements are an integral part of this statement.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Reporting entity

The City was created in 1889 and operates under an elected Mayor/Council form of government. The City's major operations include education services, health, social services, public safety, public roads, culture and recreation, public improvements, planning and zoning, and general administrative services.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City's component units are discretely presented component units, which are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the City. Each component unit has a June 30 year-end, except the Stanley L. Richter Memorial Park Authority ("Richter Park"), which has a December 31 year-end.

Discretely Presented Component Units

The Redevelopment Agency of the City is governed by members who are appointed by the Mayor with the approval of the Common Council. The Redevelopment Agency has the absolute authority (including the right to exercise eminent domain) to acquire, renovate, and resell property within a blighted area legally designated as the redevelopment district. The Redevelopment Agency does not have any assets, liabilities, fund balance, revenues, nor expenditures. As such, no financial statements exist or are available for this component unit as it has no activity.

The Tarrywile Park Authority ("Tarrywile") is responsible for administering, operating and maintaining Tarrywile Park, including all structures and land. The land and original buildings are owned by the City. Tarrywile is governed by members that are appointed by the Mayor and confirmed by the Common Council on a rotating basis. The City is potentially liable for any operating deficits and provides substantial funding to Tarrywile to support its operations. Tarrywile is presented as a governmental fund type. The information presented for Tarrywile is for the year ended June 30, 2004.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

The Danbury Parking Authority ("Parking Authority") is responsible for establishing and operating parking facilities within the City in a manner similar to a private business enterprise where the costs of providing services to the general public are financed through user charges. The Parking Authority is governed by members which are appointed by the Mayor and confirmed by the Common Council. The Parking Authority has the potential to provide specific financial benefit to, or impose specific financial burdens on, the City. The Parking Authority is presented as a proprietary fund type. The information presented for the Parking Authority is for the year ended June 30, 2004.

Richter Park is responsible for independent control over the operation of the Stanley L. Richter Memorial Park. Richter Park was donated to the City of Danbury for use as a recreational facility in 1971. The board members are selected on a rotating basis by the Mayor and confirmed by the Common Council. The City is potentially liable for any operating deficits and provides substantial funding, in the form of operating and capital grants, to Richter Park to support its operations. Richter Park is presented as a proprietary fund type. The information presented for Richter Park is for the year ended December 31, 2003.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices:

Tarrywile Park Authority
70 Southern Boulevard
Danbury, CT 06810

Stanley L. Richter Memorial Park Authority
100 Aunt Hack Road
Danbury, CT 06811

Danbury Parking Authority
21 Delay Street
Danbury, CT 06810

Joint ventures and related organizations

The Candlewood Lake Authority, the Housatonic Resources Recovery Authority, and the Housatonic Area Regional Transit District are joint ventures of the City. The Housing Authority is a related organization. See Note 14 in the notes to financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, landfill closure costs and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

The City reports the following major governmental funds.

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Vision 21 and Vision 21² Bond Fund* accounts for the proceeds of specific general obligation bonds for various projects to further develop the City.

The *Century 21 P1 Fund* accounts for the proceeds of specific general obligation bonds for various projects throughout the City.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operation of the City's water supply system. It is independent in terms of its relationship to other City functions. Its operations are financed from direct charges to the users of the service.

The *Sewer Fund* accounts for the operations of the City's wastewater treatment system. The City, through U.S. Filter Operating Services, Inc. ("U.S. Filter"), operates its own sewage treatment plant, sewage pumping stations, and collection system. It is independent in terms of its relationship to other City functions. U.S. Filter finances all aspects of the sewage system operations and recovers such costs through direct charges billed through the City to the users of the service.

Additionally, the City reports the following fund types:

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for use by a not-for-profit organization devoted to educating the public about the government's historic city hall by means of guided tours, publications, and special events. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.

The *Pension Trust Funds* account for the activities of the City's six defined benefit pension plans, which accumulate resources for pension benefit payments to qualified employees. Pension funds follow the accrual basis of accounting.

The *Agency Funds* account for monies held as a custodian for outside student groups. Agency funds have no measurement focus and are reported on the accrual basis of accounting.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the government-wide and proprietary fund financial statements, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Property taxes

Property taxes are assessed as of October 1 and levied on the following July 1. Taxes are due in four installments on July 1, October 1, January 1 and April 1. Supplemental motor vehicle taxes are due in full January 1. Liens are recorded during the month of June.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Cash equivalents

The City considers all highly liquid investments and those with original maturities of 90 days or less to be cash equivalents.

Investments

Investments, all of which are held in the pension trust funds, are recorded at fair value based on quoted market prices. The City's investments are in its Pension Trust Funds.

Inventories

Inventories of governmental fund types are stated at the lower of cost or market using the consumption method on the first-in, first-out basis.

Inventories of proprietary funds are stated at the lower of cost (first-in, first-out) or market.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Land improvements	40-50
Distribution and collection systems	50-100
Infrastructure	30-50
Machinery and equipment	5-20
Vehicles	10
Other	10
Furniture and fixtures	10

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued and a liability recognized when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for the amounts that are due (matured).

Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, including capital leases, is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension accounting:

Pension Trust Funds

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding policy

The City funds the contributions to its pension plans based on the actuarial required contribution.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

Fund Equity and Net Assets

In the Government-Wide Financial Statements and in the Proprietary Fund Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

Restricted Net Assets – This category represents the net assets of the City, which are restricted by donors for a specific purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance - indicates that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$80,462,163) difference are as follows:

Bonds payable	\$ (61,741,800)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	1,518,927
Add: Issuance premium (to be amortized over life of debt)	(1,567,594)
Deferred revenue	2,243,554
Capital leases payable	(3,496,381)
Notes payable	(74,224)
Compensated absences	(1,135,770)
Landfill closure	(13,968,712)
Accrued expenses	(2,240,163)
	<hr/>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	\$ (80,462,163)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,830,080 difference are as follows:

Capital outlay	\$ 11,407,381
Depreciation expense	(7,577,301)
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 3,830,080

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Another element of that reconciliation states that “The net effect of transactions involving donated capital assets is to increase net assets.” The details of this \$6,607,973 difference are as follows:

The statement of activities reports land donated to the City. Conversely,
governmental funds do not report capital assets transactions. \$ 6,607,973

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$805,259 difference are as follows:

Debt issued or incurred:	
Issuance of general and refunding bonds	\$ (26,973,000)
Issuance of bond anticipation notes	(3,615,000)
Premiums	(1,367,051)
Bond issuance costs	1,368,951
Capital leases	(1,913,468)
Principal repayments:	
General obligation debt	5,074,462
Refunded amounts	13,868,350
Capital lease	2,042,015
Notes payable	<u>12,320,000</u>
Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net assets of	
governmental activities	<u>\$ 805,259</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(436,334) difference are as follows:

Compensated absences and other liabilities	\$ (17,316)
Other liabilities	<u>(419,018)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (436,334)</u>

Note 3. Budgets and Budgetary Accounting

The City follows procedures in establishing the formal (as amended) budgetary data reflected in the financial statements for the General Fund. The procedures are as follows:

1. Prior to April 7, the Mayor submits proposed operating budgets to the Common Council for the fiscal year commencing the following July 1. The Board of Education has the same duties and follows the same procedures with respect to the budget of the Board of Education as those required of the Mayor. The operating budgets include proposed expenditures and the means of financing them; however, capital lease acquisitions and state on-behalf payments are not included in the operating budget.
2. Upon receipt of the proposed budgets, the Common Council publishes a notice of the proposed budgets and a public hearing to be held no later than May 1.
3. No later than May 15, the budgets are legally enacted through Common Council resolution.
4. The legal level of budgetary control is at the department level. The Mayor is authorized to transfer budget amounts within departments and the Common Council is authorized to transfer budget amounts between departments within any fund as well as any supplemental appropriations that amend the total expenditures of any budgeted fund. During the year, several supplemental appropriations were necessary; the effect of the amendments increased budgeted expenditures by approximately \$988,094 and also increased budgeted revenues approximately \$1,265,123.
5. Formal budgetary accounting is employed as a management control within the City for the General Fund and certain special revenue funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting, except that encumbrances and continued appropriations are treated as budgeted expenditures in the year of incurrence of the commitment to purchase and certain

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

employee benefits are budgeted on the cash basis of accounting (non-GAAP basis). Budgetary comparisons in the financial statements are presented pursuant to the applicable budgetary basis referred to above.

6. Except for purposes which are to be financed by the issuance of bonds or by special assessment, no money can be disbursed without an authorized appropriation in any fiscal year. A contingency fund may be used for emergency appropriations, however, expenditures may not be charged directly to this fund. An appropriation and transfer to the expending fund must be approved by the Common Council.
7. All unencumbered appropriations, except for continued appropriations, lapse at the end of each fiscal year.
8. Continued appropriations represent approved appropriations from the current or prior years' budgets for construction or other permanent improvement projects. In accordance with the City's Charter, these appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned. Any such project is deemed to be abandoned if three years have elapsed without any expenditure from, or encumbrance of, the appropriation. At June 30, 2004, there were no continued appropriations.

CITY OF DANBURY, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued**
June 30, 2004

A reconciliation of General Fund operations presented on a budgetary basis to the amounts presented in the fund financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") is as follows:

	General Fund	
	Revenues	Expenditures, Encumbrances and Transfers Out
Balance, budgetary basis	\$ 154,409,290	\$ 153,819,699
Encumbrances		
June 30, 2003	-	1,576,475
June 30, 2004	-	(1,080,103)
Net refunding activity	-	281,549
State Teachers' Retirement on-behalf payments, not recognized for budgetary purposes	3,171,000	3,171,000
On-behalf payments, paid directly by the Department of Public Health to WIC recipients, not recognized for budgetary purposes	1,593,469	1,593,469
Purchases of equipment under capital lease obligations, not recognized for budgetary purposes	-	1,913,468
Net of accruals not recognized for budgetary purposes	-	43,851
Balance, GAAP basis	\$ 159,173,759	\$ 161,319,408

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Capital projects funds

Legal authorization for expenditures of capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 4. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of the following types of accounts at June 30, 2004:

	Primary Government	Component Units
Deposits	\$ 22,481,189	\$ 656,218
MBIA and Reich and Tang*	18,255,375	-
Union Savings Bank Money Market*	500,000	-
Fleet Cash Management Fund*	18,871,000	-
Total cash and cash equivalents	\$ 60,107,564	\$ 656,218

* These amounts are not subject to risk categorization since the City does not own identifiable securities. Fair value of the position of the City is equal to the value of the investment pool shares.

As of June 30, 2004, the carrying amount of the City's deposits totaled \$22,481,189 with a bank balance of approximately \$28,401,000. The carrying amount of the component units' deposits totaled \$656,218 with bank balances totaling \$684,957.

The insured and collateral status of the year-end bank balance was as follows:

	Primary Government	Component Units
Covered by federal depository insurance or by collateral held by the City's agent in the City's name	\$ 800,000	\$ 648,906
Uninsured and uncollateralized, except as described below	27,601,000	36,051
	<u>\$ 28,401,000</u>	<u>\$ 684,957</u>

The uninsured and uncollateralized balance is partially protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of deposit

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

insurance through assessment against segregated collateral required to be maintained by all qualified public depositories in the amount of 10% to 120% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio. At June 30, 2004, approximately \$2,800,000 of uninsured deposits were collateralized under these statutes. It is unclear whether the collateral required for public deposits would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor as required by federal laws.

The level of the City's deposits varies significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were significantly higher than at year-end.

The City's investments as of June 30, 2004 consisted of the following:

	Carrying and Fair Value	Risk Category
Pension Funds:		
Equities Portfolio:		
Corporate stocks	<u>\$ 96,618,924</u>	3
Debt Portfolio:		
U.S. Government obligations	26,349,211	3
Corporate bonds	<u>14,255,860</u>	3
Total	<u>40,605,071</u>	
Investments Not Subject to Categorization:		
Mutual Funds	30,338,729	*
Investment Trust	663,730	*
Open Real/Appraised Assets	<u>31,849,001</u>	**
Total Pension Trust Fund Investments	<u>\$ 200,075,455</u>	

*These investments are excluded from risk classification because specific securities related to the City cannot be identified.

The preceding risk category 3 is defined as uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

**The City also invests in Open Real/Appraised Assets, which are hedge funds, commonly known as alternative investments. The City's investment policy allows for such investments. All assets are carried at fair value. Losses are incurred only up to the assets invested.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Investment securities are separately held by the City's pension trust funds. All of the pension plan assets are being held in trust by Fleet National Bank ("Fleet"), as custodian. All pension fund investment activity is being handled by two investment management firms.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load, open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Note 5. Receivables – Fund Basis

Receivables at June 30, 2004, including the applicable allowances for collection losses, are as follows:

	General	Vision 21 and Vision 21 ² Bond Issue	Water	Sewer	Nonmajor and Other Funds	Totals
Property taxes	\$ 4,172,287	\$ -	\$ -	\$ -	\$ -	\$ 4,172,287
Accounts receivable	-	-	-	-	486,797	486,797
Unbilled services	-	-	883,717	927,411	-	1,811,128
Special assessments	-	-	1,455,347	2,960,390	-	4,415,737
Federal and state governments	4,390,827	339,963	-	-	1,915,320	6,646,110
Other	777,767	-	306,360	584,624	60,876	1,729,627
Total gross receivables	9,340,881	339,963	2,645,424	4,472,425	2,462,993	19,261,686
Allowance for collection losses	(1,500,000)	-	(156,497)	(85,951)	(100,000)	(1,842,448)
Total net receivables	\$ 7,840,881	\$ 339,963	\$ 2,488,927	\$ 4,386,474	\$ 2,362,993	\$ 17,419,238

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 6. Interfund Receivables, Payables and Transfers

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	General	Sewer	Nonmajor and Other Funds	Totals
Due to:				
General Fund	\$ -	\$ -	\$ 10,049	\$ 10,049
Water	1,800,000	-	-	1,800,000
Sewer	2,350,000	-	-	2,350,000
Nonmajor and Other Funds	3,373,106	36,000	50,645	3,459,751
Total	\$ 7,523,106	\$ 36,000	\$ 60,694	\$ 7,619,800

The balance of \$7,523,106 due to the General Fund is a result of short-term advances from the General Fund to the other funds.

Interfund transfers during the year ended June 30, 2004 were as follows:

	Transfers In:		
	General Fund	Nonmajor Governmental	Total
Transfers out:			
General Fund	\$ -	\$ 669,699	\$ 669,699
Vision 21 and Vision 21 ²	-	243,180	243,180
Nonmajor Governmental	500,000	-	500,000
	\$ 500,000	\$ 912,879	\$ 1,412,879

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

The amount transferred from the Ambulance Fund to the General Fund relates to debt service payments.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,345,073	\$ 8,039,600	\$ (1,800)	\$ 39,382,873
Construction in progress	876,152	3,660,068	(46,234)	4,489,986
Total capital assets, not being depreciated	32,221,225	11,699,668	(48,034)	43,872,859
Capital assets, being depreciated:				
Land improvements	7,331,084	46,764	-	7,377,848
Buildings and improvements	108,207,226	1,046,359	(1,558,290)	107,695,295
Machinery and equipment	19,006,231	2,708,858	(971,530)	20,743,559
Infrastructure	112,334,903	3,469,032	-	115,803,935
Total capital assets being depreciated	246,879,444	7,271,013	(2,529,820)	251,620,637
Less accumulated depreciation for:				
Land improvements	349,019	307,812	-	656,831
Buildings and improvements	39,105,365	2,064,788	(783,433)	40,386,720
Machinery and equipment	11,909,549	3,140,553	(791,060)	14,259,042
Infrastructure	67,237,232	2,064,148	-	69,301,380
Total accumulated depreciation	118,601,165	7,577,301	(1,574,493)	124,603,973
Total capital assets, being depreciated, net	128,278,279	(306,288)	(955,327)	127,016,664
Governmental activities capital assets, net	\$ 160,499,504	\$ 11,393,380	\$ (1,003,361)	\$ 170,889,523

The June 2003 government-wide financial statements were restated due to an error in recording infrastructure assets. Beginning net assets for governmental activities were restated as follows:

Governmental activities net assets as of June 30, 2003	\$ 174,911,097
Restatement of capital assets	(24,779,293)
Restatement of associated accumulated depreciation	10,367,700
Governmental activities net assets as restated June 30, 2003	<u>\$ 160,499,504</u>

The restatement effect on the change in net assets in the government-wide statements would have been to decrease the change in net assets by approximately \$500,000.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,031,946	\$ -	\$ -	\$ -	\$ 1,031,946
Construction in progress	1,037,817	1,056,338	(10,187)	(402,750)	1,681,218
Total capital assets, not being depreciated	2,069,763	1,056,338	(10,187)	(402,750)	2,713,164
Capital assets, being depreciated:					
Buildings and improvements	100,132,905	182,089	-	-	100,314,994
Machinery and equipment	1,059,698	21,012	-	-	1,080,710
Distribution and collection systems	82,989,863	1,443,839	-	-	84,433,702
Vehicles	838,250	-	-	-	838,250
Other	829,701	88,860	-	-	918,561
Furniture and fixtures	287,704	-	-	-	287,704
Total capital assets, being depreciated	186,138,121	1,735,800	-	-	187,873,921
Less accumulated depreciation for:					
Buildings and improvements	25,663,819	2,421,354	-	-	28,085,173
Machinery and equipment	659,414	44,929	-	-	704,343
Distribution and collection systems	15,270,227	1,311,726	-	-	16,581,953
Vehicles	764,117	31,413	-	-	795,530
Other	646,528	60,130	-	-	706,658
Furniture and fixtures	201,270	17,676	-	-	218,946
Total accumulated depreciation	43,205,375	3,887,228	-	-	47,092,603
Total capital assets, being depreciated, net	142,932,746	(2,151,428)	-	-	140,781,318
Business-type capital assets, net	\$ 145,002,509	\$ (1,095,090)	\$ (10,187)	\$ (402,750)	\$ 143,494,482

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 642,175
Public safety	800,724
Public works, including depreciation of general infrastructure assets	2,362,573
Health and welfare	61,647
Culture and recreation	418,009
Education	3,292,173
Total depreciation expense – governmental activities	<u>\$ 7,577,301</u>

Business-type activities:

Sewer	\$ 2,631,931
Water	1,255,297
Total depreciation expense – business-type activities	<u>\$ 3,887,228</u>

Discretely presented component units

Activity for the Danbury Parking Authority for the year ended June 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 62,907	\$ -	\$ -	\$ 62,907
Machinery and equipment	431,331	11,385	-	442,716
Computer equipment	20,670	-	-	20,670
Total capital assets, being depreciated	<u>514,908</u>	<u>11,385</u>	<u>-</u>	<u>526,293</u>
Less accumulated depreciation for:				
Buildings and improvements	56,183	1,195	-	57,378
Machinery and equipment	293,707	37,461	-	331,168
Computer equipment	17,063	2,002	-	19,065
Total accumulated depreciation	<u>366,953</u>	<u>40,658</u>	<u>-</u>	<u>407,611</u>
Total capital assets, being depreciated, net	<u>\$ 147,955</u>	<u>\$ (29,273)</u>	<u>\$ -</u>	<u>\$ 118,682</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

Activity for the Richter Park Authority for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 1,988,865	\$ -	\$ -	\$ 1,988,865
Improvements	3,354,324	19,268	-	3,373,592
Machinery and equipment	675,512	106,116	-	781,628
Totals, capital assets being depreciated	6,018,701	125,384	-	6,144,085
Less accumulated depreciation for:				
Buildings	744,912	76,932	-	821,844
Improvements	1,183,167	96,707	-	1,279,874
Machinery and equipment	499,270	60,228	-	559,498
Total accumulated depreciation	2,427,349	233,867	-	2,661,216
Total capital assets, being depreciated, net	\$ 3,591,352	\$ (108,483)	\$ -	\$ 3,482,869

Activity for the Tarrywile Park Authority for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 84,985	\$ -	\$ -	\$ 84,985
Machinery and equipment	22,745	-	-	22,745
Furniture and fixtures	83,042	-	-	83,042
Computer equipment	4,625	-	-	4,625
Totals, capital assets being depreciated	195,397	-	-	195,397
Less accumulated depreciation for:				
Buildings	54,665	4,156	-	58,821
Machinery and equipment	19,161	1,610	-	20,771
Furniture and fixtures	84,711	-	-	84,711
Computer equipment	4,625	4	-	4,629
Total accumulated depreciation	163,162	5,770	-	168,932
Total capital assets, being depreciated, net	\$ 32,235	\$ (5,770)	\$ -	\$ 26,465

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 8. Bond Anticipation Notes Payable and Subsequent Event

The City has \$35,450,000 of bond anticipation notes outstanding as of June 30, 2004. The bond anticipation notes bear interest at 1.5%.

Bond anticipation note transactions for the year ended June 30, 2004 were as follows:

Outstanding, July 1, 2003	\$ 16,370,000
Borrowings	35,450,000
Repayments	<u>(16,370,000)</u>
Outstanding, June 30, 2004	<u>\$ 35,450,000</u>

Subsequent event

In August 2004, the City issued \$4,915,000 in general obligation bonds. The bonds bear interest of 3.00% and mature serially from 8/1/06 to 8/1/24. Of the \$35,450,000 bond anticipation notes outstanding, \$3,615,000 was financed with August 2004 issue and is considered long-term debt in the government-wide financial statements, and other financing sources in the Governmental Fund financial statements. In addition, the City also issued 32,300,000 in BANS in August 2004.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Note 9. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$50,009,500	\$26,973,000	\$18,855,700	\$58,126,800	\$ 5,769,462
Notes payable	161,335	-	87,111	74,224	74,224
Bond anticipation notes	12,320,000	3,615,000	12,320,000	3,615,000	-
Total bonds and notes payable	62,490,835	30,588,000	31,262,811	61,816,024	5,843,686
Capital leases	3,624,928	1,913,468	2,042,015	3,496,381	1,212,662
Landfill post-closure monitoring	14,223,958	-	255,246	13,968,712	2,095,307
Compensated absences	1,118,456	608,723	591,409	1,135,770	81,654
Other liabilities	625,000	-	625,000	-	-
Governmental activity long-term liabilities	\$82,083,177	\$33,110,191	\$34,776,481	\$80,416,887	\$ 9,233,309
Business-type activities:					
Bonds and notes payable:					
General obligation bonds	\$23,315,350	\$11,312,000	\$12,754,150	21,873,200	\$ 1,577,650
Notes payable	25,965,223	-	2,619,381	23,345,842	2,619,382
Total bonds and notes payable	49,280,573	11,312,000	15,373,531	45,219,042	4,197,032
Business-type activity long-term liabilities	\$49,280,573	\$11,312,000	\$15,373,531	\$45,219,042	\$ 4,197,032

Notes payable

The City's notes payable, which are payable from its governmental activities, are as follows at June 30, 2004:

	Outstanding Amount
General obligation promissory note, at an interest rate of 6% per annum, payable quarterly. The note financed the Triangle St. Bridge project. Equal principal payments are made in December of each year until 2005.	\$ 74,224
	<u>\$ 74,224</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

General obligation bonds

As of June 30, 2004, the outstanding general obligation bonded indebtedness of the City, payable from its governmental activities, was as follows:

	<u>Outstanding Amount</u>
\$4,800,000 C.D. Parks Property general obligation bonds issued September 15, 1985 due in annual installments of \$240,000; final maturity September 15, 2005; interest at 8.1% to 8.3%	\$ 480,000
\$13,290,000 Public Improvement general obligation bonds issued August 1, 1986 due in annual installments of \$700,000 (\$260,000 final installment); final maturity September 15, 2005; interest at 8.1% to 8.3%	960,000
\$8,250,000 School Code Compliance and Public Improvement general obligation bonds (\$400,000 used for special assessment projects) issued February 1, 1988 due in annual installments of \$425,000 to \$450,000; final maturity February 1, 2007; interest at 6.2% to 6.7%	1,150,000
\$16,350,000 School Additions and Improvements/Public Improvements general obligations bonds issued August 15, 1992 due in annual installments of \$815,000 to \$820,000; final maturity August 15, 2012; interest at 4.13% to 6.13%	7,335,000
\$2,705,000 Public Improvement general obligation bonds issued February 1, 1994 due in annual installments of \$80,000 to \$220,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	800,000
\$17,740,000 School Additions general obligation bonds issued February 1, 1994 due in annual installments of \$880,000 to \$890,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	8,840,000
\$1,695,000 Public Improvement general obligation bonds issued February 1, 1995 due in annual installments of \$70,000 to \$115,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	820,000

CITY OF DANBURY, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued****June 30, 2004**

	<u>Outstanding Amount</u>
\$4,100,000 Public Improvement general obligation bonds issued August 1, 1997 due in annual installments of \$180,000 to \$230,000; final maturity August 1, 2017; interest at 4.1% to 5.75%	920,000
\$10,100,000 Public Improvement general obligation bonds issued August 1, 1998 due in annual installments of \$505,000; final maturity August 1, 2018; interest at 4.0% to 5.5%	2,525,000
\$3,500,000 Public Improvement general obligation bonds issued August 1, 1999 due in annual installments of \$175,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	1,050,000
\$11,792,000 Public Improvement general obligation bonds issued May 15, 2002 due in annual installments of \$522,350 to \$652,350; final maturity May 15, 2022; interest at 3.5% to 5.0%	5,218,800
\$1,190,000 General refunding bonds issued May 1, 2003 due in annual installments of \$135,000 to \$195,000, final maturity February 1, 2010; interest at 2.0% to 4.0%	1,055,000
\$12,925,000 Public Improvement general obligation bonds issued August 1, 2003, due in annual installments of \$535,000 to \$760,000; final maturity August 1, 2023; interest at 3.25% to 4.75%.	12,925,000
\$11,770,000 General Refunding bonds, issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%.	11,770,000
\$2,278,000 General Obligation Refunding bonds issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%	<u>2,278,000</u>
	<u>\$ 58,126,800</u>

CITY OF DANBURY, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued**
June 30, 2004

At June 30, 2004, the outstanding general obligation bonded indebtedness of the City, payable from its business-type activities, was as follows:

	<u>Outstanding Amount</u>
\$1,310,000 Lateral Sewer Systems general obligation bonds issued February 1, 1994 due in annual installments of \$65,000 to \$70,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	\$ 650,000
\$3,100,000 Waste Water Treatment general obligation bonds (includes \$1 million for water general obligation bonds) issued February 1, 1994 due in annual installments of \$50,000 to \$105,000; final maturity February 1, 2014; interest at 3.20% to 5.13%	1,550,000
\$2,000,000 Water general obligation bonds issued February 1, 1994 due in annual installments of \$100,000; final maturity February 1, 2014; interest at 3.20% to 5.10%	1,000,000
\$2,100,000 Water general obligation bonds issued February 1, 1995 due in annual installments of \$105,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	1,155,000
\$1,500,000 Lateral Sewer Systems general obligation bonds issued February 1, 1995 due in annual installments of \$75,000; final maturity February 1, 2015; interest at 5.0% to 7.0%	825,000
\$6,000,000 Water general obligation bonds issued August 1, 1997 due in annual installments of \$280,000 to \$320,000; final maturity August 1, 2017; interest at 4.1% to 5.75%	1,120,000
\$12,395,000 Water general obligation bonds issued August 1, 1998 due in annual installments of \$615,000 to \$620,000; final maturity August 1, 2019; interest at 4.1% to 5.5%	3,100,000
\$1,000,000 Water general obligation bonds issued August 1, 1999 due in annual installments of \$50,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	300,000
\$1,600,000 Lateral Sewer Systems general obligation bonds issued August 1, 1999 due in annual installments of \$80,000; final maturity August 1, 2019; interest at 4.15% to 6.0%	480,000

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

	<u>Outstanding Amount</u>
\$953,000 Water and Sewer general obligation bonds issued May 15, 2002, due in annual installments of \$47,650; final maturity May 15, 2022; interest at 3.5% to 5.0%	381,200
\$11,312,000 Water and Sewer general obligation refunding bonds issued March 1, 2004, due in annual installments of \$35,000 to \$2,540,000; final maturity August 1, 2021; interest at 2.00% to 5.00%.	<u>11,312,150</u>
Total general obligation bonds	<u>21,873,200</u>
\$2,296,859 Clean Water Fund 103-D note payable signed May 1, 1990 due in annual installments of \$114,843; final maturity May 1, 2009; interest at 2.0%	574,214
\$47,373,853 Clean Water Fund 103-C note payable signed July 30, 1994 due in annual installments of \$2,482,473 (\$206,873 in 2014); final maturity July 30, 2014; interest at 2.0%	22,549,128
\$441,322 Clean Water Fund 305-C note payable signed January 31, 1995 due in annual installments of \$22,066 (\$1,840 in 2015); final maturity January 31, 2015; interest at 2.0%	<u>222,500</u>
Total notes payable	<u>23,345,842</u>
	<u>\$ 45,219,042</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

The annual debt service requirements of the City's bonded indebtedness and notes payable are as follows (excluding BAN payable):

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Payments	Principal	Interest	Total Payments
2005	\$ 5,769,462	\$ 2,786,034	\$ 8,555,496	\$ 4,197,032	\$ 1,373,699	\$ 5,570,731
2006	5,324,462	2,296,248	7,620,710	4,197,032	1,296,084	5,493,116
2007	4,692,350	2,052,620	6,744,970	4,217,032	1,174,319	5,391,351
2008	4,367,350	1,836,236	6,203,586	4,217,032	1,051,046	5,268,078
2009	4,301,350	1,640,947	5,942,297	4,253,032	925,802	5,178,834
2010	4,291,350	1,444,470	5,735,820	4,138,189	798,313	4,936,502
2011	4,131,350	1,251,570	5,382,920	4,138,189	672,761	4,810,950
2012	4,129,350	1,067,448	5,196,798	4,135,189	547,437	4,682,626
2013	4,005,000	869,791	4,874,791	4,129,539	421,235	4,550,774
2014	3,184,000	704,758	3,888,758	1,854,936	312,120	2,167,056
2015	2,014,000	562,158	2,576,158	1,312,840	230,418	1,543,258
2016	1,946,000	466,258	2,412,258	1,124,000	163,690	1,287,690
2017	1,948,000	376,024	2,324,024	1,127,000	108,823	1,235,823
2018	1,942,000	294,501	2,236,501	1,118,000	61,374	1,179,374
2019	1,745,000	222,878	1,967,878	790,000	25,681	815,681
2020	1,234,000	163,386	1,397,386	176,000	7,239	183,239
2021	1,058,000	115,756	1,173,756	47,000	2,867	49,867
2022	1,048,000	70,704	1,118,704	47,000	964	47,964
2023	535,000	36,112	571,112	-	-	-
2024	535,000	12,037	547,037	-	-	-
Total	\$58,201,024	\$18,269,936	\$ 76,470,960	\$45,219,042	\$ 9,173,872	\$ 54,392,914

The State of Connecticut reimburses the City for eligible principal and interest costs of the portion of the capital improvement bond issues used for school construction. The amount of such reimbursement for the year ended June 30, 2004 was approximately \$2,443,000. Additional payments aggregating approximately \$5,963,000 are expected to be received through the bonds' maturity dates.

In-Substance Defeasance - Prior Years

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2004, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements was approximately \$1,000,000.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

2004 General Obligation Refunding Bond – In-Substance Defeasance

On March 1, 2004, the City issued \$25,360,000 of general obligation bonds with interest rates ranging from 2.0% to 5.0% which were used to advance refund portions of the outstanding principal amounts of general obligations bonds of the City dated August 1, 1997, August 1, 1998, August 9, 1999 and May 15, 2002 (the "Refunding Bonds"). The net proceeds of \$27,414,623 (after payment of \$119,094 in underwriters fees and other costs), were placed in an irrevocable trust fund under an Escrow Agreement between the City and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the dates the payments are due.

The City advance refunded the above bonds to reduce total debt service over the next nine years by approximately \$1,075,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$739,278.

The balance for the escrow account was \$27,191,000 at June 30, 2004. The balance of the defeased bonds was approximately \$25,360,000 at June 30, 2004. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Landfill postclosure monitoring

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The landfill's closure project was completed during the year ended June 30, 1999. The estimated total current cost of the landfill postclosure care, aggregating \$13,968,712, is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill as of June 30, 2004. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. These costs will be paid from the General Fund.

Capital lease obligations

The City has various capital leases in which they acquire capital assets. Interest rates on these leases range from 2.1% to 9.0%. The capital leases are for various computer equipment and vehicles. The leases are payable in monthly installments through 2011. Original cost of capital assets under such lease agreements are as follows:

Machinery and equipment	\$ 8,117,191
Accumulated depreciation	(4,620,810)
Net book value	<u>\$ 3,496,381</u>

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Future minimum lease payments under capital leases are as follows:

2005	\$ 1,212,662
2006	1,030,877
2007	659,703
2008	488,267
2009	390,136
2009 and thereafter	518,815
	<hr/> 4,300,460
Less amount representing interest	(804,079)
	<hr/> \$ 3,496,381

Other long-term liability

During the year ended June 30, 2000, the City took title to a partially completed ice rink due to default of the developer. The property collateralized a mortgage (in default) with a balance of \$4,700,000. Under a forbearance agreement, the lender agreed not to exercise its rights under its mortgage agreement, including foreclosure. In August of 2001, the City's construction was completed and the property was sold for \$4,700,000. Under a consent to sell the property, the mortgagor agreed to pay \$3,450,000 for settlement in full. During the year ended June 30, 2004, the City paid approximately \$625,000 for its final settlement fee and as such, no liability exists at year-end.

Stanley L. Richter Park Authority

The following is a summary of the component unit's bonds and notes payable transactions for the year ended December 31, 2003:

Beginning balance	\$ 262,118
Deductions	<hr/> (79,128)
Ending balance	<hr/> \$ 182,990

The Authority issued a long-term bond amounting to \$325,000 in November 1993 to finance the greens construction project. The bond principal is payable in annual installments of \$21,667 on November 15 of each year until 2008 with interest payable semi-annually at 6.25%.

In 1997, the City of Danbury advanced to the Authority \$299,423 from the City's long-term capital improvement bond proceeds. This loan is payable to the City in eight annual installments of \$37,461 until 2005.

CITY OF DANBURY, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued****June 30, 2004**

The Authority borrowed \$100,000 in November 1998 to finance the purchase of real estate adjacent to the Richter Park property. The principal is payable in annual installments of \$20,000 in November of each year until 2003 with interest payable annually at 8.0%.

The future principal amortization is as follows:

Year ending December 31,	
2004	\$ 59,128
2005	58,862
2006	21,667
2007	21,667
2008	21,666
	<u>\$ 182,990</u>

Authorized but unissued bonds

Bonds authorized but unissued at June 30, 2004 are as follows:

General Purpose	\$ 49,683,000
Sewer	6,009,090
Water	<u>4,962,000</u>
Total	<u>\$ 60,654,090</u>

Legal Debt Limit

The City's indebtedness (including authorized but not unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 274,086,477	\$ 107,765,890	\$ 166,320,587
Unfunded Pension Benefit Obligation	\$ 365,448,636	\$ -	\$ 365,448,636
Schools	\$ 548,172,954	\$ 26,458,000	\$ 527,677,954
Sewers	\$ 456,810,795	\$ 35,695,842	\$ 421,114,953
Urban renewal	\$ 395,902,689	\$ -	\$ 395,902,689

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$852,797,890.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

Note 10. Commitments and Contingencies

Lawsuits

There are several personal injury, negligence, personnel and other related lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. For certain cases, where there is a reasonable possibility that a loss has been incurred, the City estimated its possible exposure could be \$6.0 million. Based upon consultation with legal counsel, the City's management estimates that potential claims against the City not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial position of the City.

In April 1998, Metcalf & Eddy, Inc., the City's construction manager on the landfill closure project, had asserted a possible claim against the City ranging from \$0 to \$6,000,000. The claim is associated with the completion of their work. The City is actively negotiating with Metcalf & Eddy, Inc. to resolve all outstanding claims, and believes they will reach an amicable resolution.

Municipal Solid Waste Service Agreement

The City has entered into a municipal solid waste agreement, as amended (the "service agreement") with the Housatonic Resources Recovery Authority (the "Authority") pursuant to which it participates with nine other Connecticut municipalities (the five constituting the "Contracting Municipalities"), in the Housatonic Resources Recovery System (the "System").

Under the service agreement, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 44,500 tons per year and to pay a uniform per ton disposal service payment (the "service payment"). The current fee is \$72 per ton. The aggregate minimum commitment of the nine Contracting Municipalities is 103,800 tons per year. The City's service payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the City must pay the service payment for its proportionate share of the shortfall of the aggregate minimum commitment (even if it did deliver its full portion).

Service payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the facility.

If any Contracting Municipality shall default in the payment of any service payments, the other Contracting Municipalities shall pay their share of the amounts unpaid by the nonpaying Contracting Municipality. If a Contracting Municipality fails to meet its minimum requirement, the effect to the City of Danbury would not be material to the financial statement as a whole.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

Waste Water Treatment

The City has a 20 year agreement through June 2018 (the "Agreement") with U.S. Filter Operating Services, Inc. to manage its waste water collection and treatment system. As consideration for such Agreement, the City received a \$10 million up-front concession fee. If the Agreement is terminated prior to the end of the 20 year term, the City has to repay the unamortized balance of the concession fee (calculated using the straight-line method over the term of the Agreement). The unamortized balance of the concession fee at June 30, 2004 is \$6,624,973 and is recorded as deferred revenue in the Sewer Enterprise Fund.

Under the Agreement, the City pays an annual base fee of approximately \$3,300,000 plus an annual adjustment equal to the change in the consumer price index.

Heart and hypertension

The City pays benefits under the Heart and Hypertension Act, on a pay-as-you-go basis, to retirees whose disabilities are claimed to be job related. During the year ended June 30, 2004, 14 retired employees received benefit payments. Payments totaled approximately \$564,200 during the year ended June 30, 2004.

Note 11. Fund Deficits

The City has the following fund deficits at June 30, 2004 and expects to eliminate the deficits in the future as follows:

Fund	Deficit	
	June 30, 2004	Plan for Eliminating Deficit
Capital Projects:		
City Projects	\$ 860,328	Through future debt issuance
Century 21 P1	\$ 224,376	Through future debt issuance
Special Revenue:		
Community Development Block Grant	\$ 66,326	Through future revenue
School Lunch	\$ 54,492	Through future revenue/from sales and grants

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

Note 12. Employee Retirement Plans

The City maintains six separate single-employer pension plans covering substantially all of its employees (collectively, “the City’s plans”), except those public school teachers covered under the State of Connecticut Teachers’ Retirement System. The General Employees Plan is a non-contributory defined benefit plan covering all full-time employees not qualified under one of the City’s other plans or the State Teachers’ Retirement System. The remaining five plans: Pre-1967 Policemen, Pre-1967 Firemen, Post-1967 Policemen, Post-1967 Firemen, and Post-1983 Policemen are contributory defined benefit plans, and cover all paid members of the City Police and Fire Departments. The City’s pension plans do not, however, issue stand-alone financial reports.

The plans’ assets are consolidated and treated as one combined trust (“Master Trust”) for the City’s retirement plans. Although the assets of the plans are commingled for investment purposes, each plan’s assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Master Trust transactions other than cash and cash equivalents, employer and employee contributions, and payments to separated participants by participating plans are allocated to each plan based upon procedures established by the trustee and the plans’ actuary. Earnings from the Master Trust include interest and dividend income, and net appreciation in the fair value of investments. Master Trust earnings are allocated to the City’s plans based upon the relative fair values of the assets of each plan.

The City’s plans, including the employer and employee obligations to contribute, are established under the authority of Chapter 14 of the City’s Code of Ordinances. The City’s plans, by policy, (i) require biennial actuarial valuations (as of July 1), with yearly updates, and (ii) require annual City contributions based on actuarial determinations. During the year of actuarial valuation, the City has historically contributed the annual required contribution (“ARC”) for each of the pension plans. Any difference between the ARC and the actual contribution made has been settled by the next actuarial valuation date, and thus the City has never actually had, or had need to report, a net pension obligation (“NPO”). The required contributions are calculated to cover normal cost and the amortization of unfunded actuarial accrued liabilities.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Employees covered	All employees not covered by another plan.	All police employed before 1967.	All firefighters employed before 1967.	All police employed after 1967 but before 1983.	All firefighters employed after 1967.	All police hired after 1983.
Number of retirees receiving benefits	444	41	39	63	40	4
Terminated employees Entitled to future benefits	147	-	-	-	-	-
Current employees	<u>683</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>105</u>	<u>106</u>
Total number of participants	<u>1,274</u>	<u>41</u>	<u>39</u>	<u>105</u>	<u>145</u>	<u>110</u>
Normal Benefit provisions	After attaining age 65, 1.5% of average compensation times years of credited service	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 50% of final pay plus 2% for each year of service in excess of 25, but no greater than 68%	After attaining age 65, 2% of average compensation for each year of service, but not greater than 68%
Definition of "Compensation"	Average of last 3 years	Final base salary	Final base salary	Final base salary	Final base salary	Final base salary
Eligibility requirements	50% vested after 5 years and increasing 10% each year thereafter until 10 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years	10 years of service, fully vested after 15 years
Disability Benefits: Line of Duty	1.5% of average compensation times years of credited service	66.7% of final pay	66.7% of final pay	66.7% of final pay	66.7% of final pay	50% of final pay
Non-Line of Duty (Years 1-10)	1.5% of average compensation times years of credited service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service	2% of final pay for each year of service
Non-Line of Duty (10+ Years)	1.5% of average compensation times years of credited service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service	25% of final pay plus 2% for each year of service

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

Provisions of Pension Plans	General Employees	Pre-1967		Post-1967		Post-1983 Police
		Police	Fire	Police	Fire	
Obligation to contribute in accordance with funding policy:						
Employee	\$-0-	4% of earnings	5% of earnings	4% of earnings	5% of earnings	4% of earnings
Employer	\$-0-	\$972,000	\$918,000	\$884,000	\$902,000	\$404,000
Authority under which benefit provisions established	City code of ordinances	City code of ordinances	City code of ordinances	City code of ordinances	City code of ordinances	City code of ordinances
<u>Funding Status and Progress</u>						
Date of actuarial valuation	7/1/03	7/1/03	7/1/03	1/1/03	1/1/03	1/1/03
Significant actuarial assumptions						
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Projected annual salary increases*	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Post retirement benefit increases*	4.5%, 15% every 5 years	4.5%	4.5%	5.0%	5.0%	-
* including inflation of	4.0%-5.0%	5.0%	5.0%	5.0%	5.0%	-
Mortality table	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females	1983 GAM Set back 6 years for females
Actuarial asset valuation method	Fair value smoothed	Fair value smoothed	Fair value smoothed	Fair value smoothed	Fair value smoothed	Fair value Smoothed
Funding Policy	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial	Actuarial
Actuarial cost method	Projected unit credit cost	Projected unit credit cost	Projected unit credit cost	Projected unit credit cost	Projected unit credit cost	Projected unit credit cost
Amortization method	Level Dollar Amount Open	Level Dollar Amount Closed	Level Dollar Amount Closed	Level Dollar Amount Closed	Level Dollar Amount Closed	Level Dollar Amount Closed
Remaining amortizing period	10 years	12 years	12 years	15 years	15 years	15 years
Authority under which contributions are established	Common Council	Common Council	Common Council	Common Council	Common Council	Common Council

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Year Ended June 30,	Annual Required Contribution	Percentage Contributed
General Employees:	2004	\$ -	- %
	2003	-	-
	2002	-	-
	2001	-	-
	2000	235,000	100
	1999	282,000	100
Pre-1967 Police:	2004	\$ 972,000	100%
	2003	971,000	100
	2002	820,000	100
	2001	1,133,000	100
	2000	1,082,000	100
	1999	1,090,000	100
Pre-1967 Fire:	2004	\$ 918,000	100%
	2003	877,000	100
	2002	761,000	100
	2001	996,000	100
	2000	933,000	100
	1999	981,000	100
Post-1967 Police:	2004	\$ 884,000	100%
	2003	635,000	100
	2002	765,000	100
	2001	808,000	100
	2000	986,000	100
	1999	1,240,000	100
Post-1967 Fire:	2004	\$ 902,000	100%
	2003	639,000	100
	2002	560,000	100
	2001	472,000	100
	2000	821,000	100
	1999	992,000	100
Post-1983 Police:	2004	\$ 404,000	100%
	2003	310,000	100%
	2002	341,000	100
	2001	291,000	100
	2000	263,000	100
	1999	256,000	100

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF PLAN NET ASSETS
JUNE 30, 2004

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
ASSETS							
Cash and cash equivalents	\$ 4,752,120	\$ 281,079	\$ 228,639	\$ 2,314,705	\$ 2,541,246	\$ 370,227	\$ 10,488,016
Investments, at fair value							
U.S. Government obligations	11,938,827	706,159	574,413	5,815,271	6,384,414	930,127	26,349,211
Corporate Bonds	6,459,330	382,057	310,778	3,146,268	3,454,195	503,232	14,255,860
Corporate Stocks	43,778,034	2,589,387	2,106,293	21,323,797	23,410,765	3,410,648	96,618,924
Mutual Funds - Equities	13,746,478	813,078	661,384	6,695,758	7,351,074	1,070,957	30,338,729
Unit Investment Trust	300,736	17,788	14,469	146,485	160,822	23,430	663,730
Other Real/Appraised Assets	14,430,782	853,553	694,308	7,029,075	7,717,013	1,124,270	31,849,001
Total investments	90,654,187	5,362,022	4,361,645	44,156,654	48,478,283	7,062,664	200,075,455
Contributions receivable	-	972,000	918,000	884,000	902,000	404,000	4,080,000
Accrued interest and dividends	253,576	14,999	12,200	123,514	135,603	19,756	559,648
Pending Sales	286,290	16,934	13,774	139,449	153,097	22,304	631,848
Total Assets	95,946,173	6,647,034	5,534,258	47,618,322	52,210,229	7,878,951	215,834,967
LIABILITIES							
Pending Purchases	227,491	13,456	10,945	110,808	121,653	17,723	502,076
Net Assets Held in Trust for Pension Benefits	\$ 95,718,682	\$ 6,633,578	\$ 5,523,313	\$ 47,507,514	\$ 52,088,576	\$ 7,861,228	\$ 215,332,891

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

SCHEDULE OF CHANGES IN
PLAN NET ASSETS
YEAR ENDED JUNE 30, 2004

	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police	Post-1967 Fire	Post-1983 Police	Totals
Additions							
Contributions							
Employer	\$ -	\$ 972,000	\$ 918,000	\$ 884,000	\$ 902,000	\$ 404,000	\$ 4,080,000
Plan members	-	-	-	80,388	300,106	227,195	607,689
Total contributions	-	972,000	918,000	964,388	1,202,106	631,195	4,687,689
Investment Income							
Net appreciation in fair value of investments	10,246,270	688,388	648,005	4,989,630	5,451,549	886,551	22,910,393
Interest and dividends	2,580,906	171,279	142,214	1,264,273	1,366,293	194,694	5,719,659
	12,827,176	859,667	790,219	6,253,903	6,817,842	1,081,245	28,630,052
Less Investment Expenses:							
Investment manage- ment fees	616,047	39,275	35,627	293,462	313,062	42,071	1,339,544
Investment income	12,211,129	820,392	754,592	5,960,441	6,504,780	1,039,174	27,290,508
Total additions	12,211,129	1,792,392	1,672,592	6,924,829	7,706,886	1,670,369	31,978,197
Deductions							
Benefits paid	3,660,147	1,456,469	1,337,509	2,312,308	1,480,050	105,542	10,352,025
Total deductions	3,660,147	1,456,469	1,337,509	2,312,308	1,480,050	105,542	10,352,025
Net increase	8,550,982	335,923	335,083	4,612,521	6,226,836	1,564,827	21,626,172
Net Assets Held in Trust for Pension Benefits							
Beginning of year	87,167,700	6,297,655	5,188,230	42,894,993	45,861,740	6,296,401	193,706,719
End of year	\$ 95,718,682	\$ 6,633,578	\$ 5,523,313	\$ 47,507,514	\$ 52,088,576	\$ 7,861,228	\$ 215,332,891

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Over) Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(Over) Underfunded AAL as a Percentage of Covered Payroll
General Employees:						
7/1/03	\$ 97,448,725	\$ 74,647,619	\$ (22,801,106)	130.5 %	\$ 23,576,524	(96.7) %
1/1/02	95,940,971	71,836,054	(24,104,917)	133.6 %	21,547,768	(111.9) %
1/1/00	86,363,384	60,128,299	(26,235,085)	143.6 %	20,334,025	(129.0) %
1/1/98	69,607,623	57,592,398	(12,015,225)	120.9 %	20,024,974	(60.0) %
1/1/96	53,783,848	47,838,592	(5,945,256)	112.4 %	19,141,532	(31.1) %
1/1/94	47,244,021	44,662,512	(2,581,509)	105.8 %	19,288,723	(13.4) %
Pre-1967 Police:						
7/1/03	\$ 6,993,981	\$ 14,173,012	\$ 7,179,031	49.3 %	\$ -	N/A
1/1/02	7,833,857	15,189,737	7,355,880	51.6 %	-	N/A
1/1/00	7,720,242	15,955,616	8,235,374	48.4 %	48,330	17,039.9 %
1/1/98	6,509,190	17,026,404	10,517,214	38.2 %	102,700	10,240.7 %
1/1/96	5,664,099	16,837,404	11,173,305	33.6 %	428,958	2,604.8 %
1/1/94	5,099,454	16,518,397	11,418,943	30.9 %	429,055	2,661.4 %
Pre-1967 Fire:						
7/1/03	\$ 5,864,207	\$ 13,091,400	\$ 7,227,193	44.8 %	\$ -	N/A
1/1/02	6,558,299	13,355,820	6,797,521	49.1 %	-	N/A
1/1/00	6,421,763	13,844,291	7,422,528	46.4 %	-	N/A
1/1/98	5,475,666	14,739,221	9,263,555	37.2 %	120,025	7,718.0 %
1/1/96	4,730,352	14,561,842	9,831,490	32.5 %	161,406	6,091.2 %
1/1/94	4,179,621	14,402,324	10,222,703	29.0 %	386,730	2,643.4 %
Post-1967 Police:						
1/1/03	\$ 48,161,141	\$ 53,371,318	\$ 5,210,177	90.2 %	\$ 2,541,819	205.0 %
1/1/01	44,924,489	45,301,753	377,264	99.2 %	2,532,599	14.9 %
1/1/99	36,880,541	40,634,158	3,753,617	90.8 %	2,724,359	137.8 %
1/1/97	27,464,027	34,113,354	6,649,327	80.5 %	3,026,816	219.7 %
1/1/95	21,339,684	29,568,847	8,229,163	72.2 %	3,095,662	265.8 %
Post-1967 Fire:						
1/1/03	\$ 50,848,678	\$ 47,808,052	\$ (3,040,626)	106.4 %	\$ 6,065,277	(50.1) %
1/1/01	45,969,156	41,475,940	(4,493,216)	110.8 %	5,379,669	(83.5) %
1/1/99	37,127,622	35,250,799	(1,876,823)	105.3 %	4,733,503	(39.6) %
1/1/97	27,099,001	29,002,474	1,903,473	93.4 %	4,619,988	41.2 %
1/1/95	20,768,169	23,548,837	2,780,668	88.2 %	4,301,797	64.6 %
Post-1983 Police:						
1/1/03	\$ 6,979,088	\$ 7,629,489	\$ 650,401	91.5 %	\$ 5,333,425	12.2 %
1/1/01	5,383,342	5,121,615	(261,727)	105.1 %	4,370,060	(6.0) %
1/1/99	3,665,977	3,603,281	(62,696)	101.7 %	4,029,030	(1.6) %
1/1/97	2,245,888	2,382,676	136,788	94.3 %	3,143,200	4.4 %
1/1/95	1,391,378	1,555,404	164,026	89.5 %	2,147,373	7.6 %

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2004**

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The financial statements of the Plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings to the plan. The City does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,171,000 for the year ended June 30, 2004.

Note 13. Construction Commitments

The City is currently in the middle of various capital projects, including street repaving, school renovations, park improvements and other various projects. Such project expenditures are capitalized as construction in progress on the government-wide financial statements. These assets are not yet being depreciated as they have not been put into use. At June 30, 2004, such amounts were approximately \$6,400,000.

Note 14. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the last three years. Approximately 100 retirees are covered by the City's medical self-insurance program. Dental benefits continued to be covered by the City's self-insurance program for both active and retired employees. Effective July 1, 2004, the City was no longer self-insured for medical or dental insurance claims.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2004

During the fiscal year ended June 30, 1994, the Board of Education established a minimum premium insurance plan for its basic health care, major medical and dental programs, including hospitalization, for Board of Education employees and retirees. These benefits are provided through insurance companies, and include deductibles, and other limitations, and may be amended or changed periodically. The plan covered approximately 200 Board of Education retirees, the cost of which is covered in full by the State of Connecticut Teachers' Retirement Board and/or individual retirees.

Changes in the balances of claims liabilities recorded by the City during the past two years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2004	\$ 202,947	\$ 1,781,667	\$ 1,620,000	\$ 364,614
2003	\$ 268,343	\$ 1,366,604	\$ 1,432,000	\$ 202,947

Note 15. Joint Ventures and Related Organizations

The Candlewood Lake Authority ("Candlewood") is a joint venture of five municipalities, including the City of Danbury. Candlewood is under joint control, comprised of three delegates from each member municipality selected for three-year terms. The City of Danbury has an ongoing financial responsibility but no equity interest. The City remitted approximately \$48,800 to supplement Candlewood's operating revenues for the year ended June 30, 2004 as Candlewood would experience financial stress without such revenue supplement.

Complete financial statements for Candlewood can be obtained by request from the Candlewood Lake Authority, P.O. Box 37, Sherman, CT 06784-0037.

The Housatonic Area Regional Transit District ("HART") is a joint venture of eight municipalities, including the City of Danbury. HART is under joint control, comprised of at least one director from each member municipality selected for four year terms. The City of Danbury has an ongoing financial responsibility, but no equity interest. The City remitted approximately \$645,300 to supplement HART's operating revenues for the year ended June 30, 2004 as HART would experience financial stress without such revenue supplement.

Complete financial statements for HART can be obtained by request from HART, 107 Newtown Road, Suite 2C, Danbury, CT 06810.

The Housatonic Resources Recovery Authority ("HRRA") is a joint venture of which the City of Danbury is a member. The HRRA was established as a separate political subdivision of the State in 1986 with the adoption of a creating ordinance by local municipalities, including Danbury.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2004

HRRA was created for the purpose of providing solid waste management and disposal services for the member municipalities. There are nine participating municipalities in HRRA with the board being comprised of one member from each municipality. To avoid financial stress, the City has an ongoing financial responsibility to supply a certain level of tonnage to HRRA in accordance with the agreement between the City and HRRA, but the City has no equity interest.

Complete financial statements for HRRA can be obtained by request from HRRA, Old Town Hall, Routes 25 and 133, Brookfield Center, CT 06804 or at City Hall, 155 Deer Hill Avenue, Danbury, CT 06810.

The City's officials are responsible for appointing the board members of the Housing Authority. The City's accountability for the Housing Authority does not extend beyond making the appointments.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- ◆ GASB Statement No. 40, Deposit and Investment Risk Disclosures, issued March 2003, will be effective for the government beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposit risks.
- ◆ GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, will be effective for the government beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.
- ◆ GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004, will be effective for the Town beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

CITY OF DANBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2004

- ◆ GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the Town beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

**SUPPLEMENTAL AND COMBINING NONMAJOR
FUND STATEMENTS AND SCHEDULES**

General Fund

General Fund

CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
BUDGET AND ACTUAL

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
Common council	\$ 60,552	\$ 64,164	\$ 63,411	\$ 753
Mayors office	317,637	328,071	327,068	1,003
City Clerk	45,904	45,404	45,213	191
Ordinances	16,100	28,500	28,500	-
Probate Court	14,250	14,250	13,838	412
Registrars and Elections	144,054	160,254	153,079	7,175
City Treasurer	21,205	21,206	21,205	1
Director of Finance	698,260	697,750	676,486	21,264
Data Processing information technology	1,050,008	1,028,038	1,012,981	15,057
Independent audit	40,750	34,650	34,650	-
Bureau of Assessments	350,436	349,011	342,439	6,572
Board of Assessments and Appeal	4,050	4,061	3,543	518
Tax Collector	488,314	502,001	491,685	10,316
Purchasing	207,587	208,988	198,776	10,212
Corporate Counsel	1,377,252	1,374,588	1,315,071	59,517
Town Clerk	360,246	361,346	350,307	11,039
Annual Report	4,500	9,500	9,300	200
Permit Coordination	219,772	253,962	246,254	7,708
Planning	472,055	476,656	474,039	2,617
Danbury Conservation	9,465	8,715	7,727	988
Personnel/ Civil Service	283,263	273,263	263,774	9,489
Fair Rent Commission	1,450	1,450	472	978
City memberships	74,056	74,056	74,055	1
Lake Authority	48,812	48,812	48,812	-
Retirement administration	85,660	76,060	75,987	73
Labor Negotiations	78,000	130,400	130,391	9
Public Buildings	830,976	833,643	817,369	16,274
City Hall Buildings	259,797	300,894	298,769	2,125
Library Buildings	155,414	163,209	161,935	1,274
Police Station Building	162,513	161,624	160,664	960
Senior Center Building	57,650	61,400	53,466	7,934
Old Library Building	34,110	36,158	35,961	197
Employee Service Benefit	43,000	89	-	89
Office of Economic Development	-	28,000	19,000	9,000
	8,017,098	8,160,173	7,956,227	203,946

(Continued)

CITY OF DANBURY, CONNECTICUT

**GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Public Safety				
Police Department	11,495,779	11,984,341	11,804,511	179,830
Animal Control	132,805	169,699	169,699	-
Fire Department	8,504,221	8,560,518	8,495,980	64,538
Building Inspector	487,452	455,068	433,580	21,488
Department of Civil Preparedness	70,066	60,066	53,090	6,976
Employee Service Benefit	9,500	9,500	-	9,500
Total public safety	20,699,823	21,239,192	20,956,860	282,332
Public Works				
Highways	2,015,981	1,954,586	1,936,919	17,667
State Aid Highway Project	181,994	181,365	176,866	4,499
Snow and Ice removal	465,000	528,201	528,198	3
Street Lighting	375,000	387,300	387,288	12
Public Building Maintenance Repair	494,871	572,703	571,110	1,593
Equipment Maintenance	740,207	921,042	908,742	12,300
Recycling/ Solid Waste	328,300	334,069	325,749	8,320
Engineering Department	966,942	987,841	987,527	314
Employee Service Benefit	15,300	3,320	-	3,320
Total public works	5,583,595	5,870,427	5,822,399	48,028
Health and Welfare				
Health and Housing Department	831,482	835,853	798,225	37,628
Employee Service Benefit	6,600	2,979		2,979
Welfare Department	314,476	314,476	308,718	5,758
Veterans Advisory Center	54,306	54,994	53,543	1,451
Commission on Aging	243,296	254,443	233,846	20,597
Elderly Transportation	12,000	12,000	12,000	-
Human and Social Welfare	1,302,067	1,302,145	1,296,165	5,980
Employee Service Benefit	3,600	2,912	-	2,912
Total health and welfare	2,767,827	2,779,802	2,702,497	77,305
Education	85,731,685	85,822,288	85,734,789	87,499

(Continued)

CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES AND ENCUMBRANCES - BUDGETARY BASIS -
BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation				
Parks, recreation, and forestry	1,715,067	1,721,092	1,700,846	20,246
Tarywile Park Authority	245,000	245,000	245,000	-
Cultural Commission	67,000	67,000	66,975	25
Lake Kenosha Commission	2,500	13,000	10,522	2,478
Danbury Public Library	1,920,585	1,920,585	1,915,463	5,122
Employee Service Benefit	3,500	-	-	-
Total culture and recreation	3,953,652	3,966,677	3,938,806	27,871
Employee Benefits	17,653,144	17,620,554	17,482,243	138,311
Debt Service				
Principal - bonds and notes	5,609,462	5,607,710	5,576,706	31,004
Interest - bonds	2,412,399	2,219,286	2,219,285	1
Total debt service	8,021,861	7,826,996	7,795,991	31,005
Other	981,093	1,112,233	798,026	314,207
Contingency	850,985	465,999	465,999	-
Capital Outlay	-	383,066	165,862	217,204
Total expenditures	\$ 154,260,763	\$ 155,247,407	\$ 153,819,699	\$ 1,427,708

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

School Lunch Program Fund - to account for the operations of the School Lunch Program. Financing is provided by the students and teachers as well as reimbursement from State and Federal governments.

Community Development Block Grant Fund - to account for an entitlement grant received from the Department of Housing and Urban Development for housing and community development activities under the Community Development Act of 1974.

WIC Grant Fund - to account for the operations of the Women, Infant and Children Health Program. Financing is provided by the Federal Government.

Continuing Education – to account for evening classes for individuals 16 years and older, offered in the Fall and Spring. Content varies based upon participants' skills and interests. Class fees are used to pay instructors, program staff and operations.

Railyard Parking Lease Fund – to account for funds received from the City of Danbury Parking Authority for permits sold at the Danbury Railyard - Union Station.

Library Board Library Fund – to account for fines and fees collected by the Library.

Animal Control Fund - to account for funds provided by the sale of dog licenses, sale of stray dogs and various fines levied against owners of stray dogs, as well as General Fund appropriations.

School Based Health Center Grant Fund - to account for funds received from preventive and mental health services for Danbury students. Funding is provided by the State of Connecticut Department of Public Health and Addiction Services.

Ambulance Fund - to account for the operations of the City's ambulance system for the benefit of its residents. Funds are provided on a fee basis and City subsidy.

LOCIP Fund – to account for projects funded through the State Local Capital Improvement Program.

Airport Projects – to account for construction projects related to the maintenance and upkeep of the Danbury Municipal Airport. Funds provided by Federal, State and local sources.

State & Federal School Projects – to account for education related programs that are funded through State and Federal Grants.

Miscellaneous Funds – to account for proceeds from smaller projects related to public health, social services, public safety, open space and culture and recreation.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

City Projects Fund - to account for proceeds of specific general obligation bonds for various projects either authorized by the City or to further develop the City.

City Works/Library Reconstruction – to account for proceeds of specific general obligation bonds for various projects to further develop the City.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Farioly Permanent Fund – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to improve the City's libraries.

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CITY OF DANBURY, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue				
	School Lunch Program	Community Development Block Grant	WIC Grant	Continuing Education	Railyard Parking Lease
ASSETS					
Cash and cash equivalents	\$ 133,541	\$ 80,122	\$ 53,775	\$ 1,055,424	\$ 24,681
Receivables:					
Accounts receivable, net	-	-	-	-	-
Federal and State government	212,916	-	-	-	-
Other	55,258	-	-	-	1,145
Inventories	54,784	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 456,499	\$ 80,122	\$ 53,775	\$ 1,055,424	\$ 25,826
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable	\$ 510,991	\$ -	\$ 17	\$ -	\$ -
Bond anticipation notes payable	-	-	-	-	-
Deferred revenue	-	-	33,839	256,904	-
Due to other funds	-	146,448	19,919	-	-
Total liabilities	510,991	146,448	53,775	256,904	-
FUND BALANCES (DEFICITS)					
Reserved for library	-	-	-	-	-
Reserved for inventories	54,784	-	-	-	-
Unreserved and undesignated	(109,276)	(66,326)	-	798,520	25,826
Total fund balances (deficits)	(54,492)	(66,326)	-	798,520	25,826
Total liabilities and fund balances (deficits)	\$ 456,499	\$ 80,122	\$ 53,775	\$ 1,055,424	\$ 25,826

Special Revenue							
Library Board Library Fund	Animal Control	School- Based Health Center Grant	Ambulance	LOCIP	Airport Projects	State & Fed. School Projects	Miscellaneous Special Revenue
\$ 199,773	\$ 41,147	\$ 42,936	\$ 622,703	\$ 82,488	\$ 254,988	\$ 463,302	\$ 2,050,398
-	-	-	386,797	-	-	-	-
-	-	-	-	492,680	218,126	273,178	718,420
-	-	-	-	-	-	-	4,473
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	60,694
\$ 199,773	\$ 41,147	\$ 42,936	\$ 1,009,500	\$ 575,168	\$ 473,114	\$ 736,480	\$ 2,833,985
\$ 51,390	\$ 12,384	\$ 2,835	\$ 147,991	\$ 23,375	\$ -	\$ 357,777	\$ 422,140
-	-	-	-	-	-	-	-
-	-	11,689	-	-	13,025	369,918	578,194
-	-	28,412	500,000	551,793	450,000	-	1,712,534
51,390	12,384	42,936	647,991	575,168	463,025	727,695	2,712,868
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
148,383	28,763	-	361,509	-	10,089	8,785	121,117
148,383	28,763	-	361,509	-	10,089	8,785	121,117
\$ 199,773	\$ 41,147	\$ 42,936	\$ 1,009,500	\$ 575,168	\$ 473,114	\$ 736,480	\$ 2,833,985

(Continued)

CITY OF DANBURY, CONNECTICUT

COMBINING BALANCE SHEET, Continued

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Capital Projects		Permanent Fund	
	City Projects	City Works/ Library Reconstruction	Farioly Library	Totals
ASSETS				
Cash and cash equivalents	\$ 195,878	\$ 88,037	\$ 1,531,968	\$ 6,921,161
Receivables:				
Accounts receivable, net	-	-	-	386,797
Federal and State government	-	-	-	1,915,320
Other	-	-	-	60,876
Inventories	-	-	-	54,784
Due from other funds	-	-	-	60,694
Total assets	<u>\$ 195,878</u>	<u>\$ 88,037</u>	<u>\$ 1,531,968</u>	<u>\$ 9,399,632</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 5,561	\$ 69,218	\$ 34,744	\$ 1,638,423
Bond anticipation notes payable	1,000,000	-	-	1,000,000
Deferred revenue	-	372	-	1,263,941
Due to other funds	50,645	-	-	3,459,751
Total liabilities	<u>1,056,206</u>	<u>69,590</u>	<u>34,744</u>	<u>7,362,115</u>
FUND BALANCES (DEFICITS)				
Reserved for library	-	-	1,477,174	1,477,174
Reserved for inventories	-	-	-	54,784
Unreserved and undesignated	(860,328)	18,447	20,050	505,559
Total fund balances (deficits)	<u>(860,328)</u>	<u>18,447</u>	<u>1,497,224</u>	<u>2,037,517</u>
Total liabilities and fund balances (deficits)	<u>\$ 195,878</u>	<u>\$ 88,037</u>	<u>\$ 1,531,968</u>	<u>\$ 9,399,632</u>

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CITY OF DANBURY, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Special Revenue				
	School Lunch Program	Community Development Block Grant	WIC Grant	Continuing Education	Railyard Parking Lease
REVENUES					
Federal and State governments	\$ 1,433,409	\$ 964,895	\$ 214,023	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	1,879,830	-	-	718,499	23,991
Investment income	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	3,313,239	964,895	214,023	718,499	23,991
EXPENDITURES					
General government	-	-	-	-	27,609
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	984,491	214,023	-	-
Education	3,437,788	-	-	533,737	-
Capital outlay	-	-	-	-	-
Total expenditures	3,437,788	984,491	214,023	533,737	27,609
Revenues over (under) expenditures	(124,549)	(19,596)	-	184,762	(3,618)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Total revenue and other financing sources (uses) over (under) expenditures	(124,549)	(19,596)	-	184,762	(3,618)
Decrease in reserve for inventories or encumbrances	14,768	-	-	-	-
Net change in unreserved fund balances	(109,781)	(19,596)	-	184,762	(3,618)
UNRESERVED FUND BALANCES (DEFICITS), beginning	505	(46,730)	-	613,758	29,444
UNRESERVED FUND BALANCES (DEFICITS), ending	\$ (109,276)	\$ (66,326)	\$ -	\$ 798,520	\$ 25,826

Special Revenue							
Library Board Library Fund	Animal Control	School-Based Health Center Grant	Ambulance	LOCIP	Airport Projects	State & Fed. School Projects	Miscellaneous Special Revenue
\$ -	\$ -	\$ 182,393	\$ -	\$ 437,775	\$ 135,628	\$ 12,996,535	\$ 2,481,236
-	17,255	-	-	-	-	-	-
-	-	-	1,762,494	-	-	-	113,436
-	32	-	219	-	-	-	51
113,509	-	-	-	-	-	-	450,981
113,509	17,287	182,393	1,762,713	437,775	135,628	12,996,535	3,045,704
-	-	-	-	437,775	135,628	-	103,924
-	208,531	-	1,544,104	-	-	-	449,374
-	-	-	-	-	-	-	1,504,370
150,083	-	-	-	-	-	-	40,847
-	-	182,393	-	-	-	-	1,105,962
-	-	-	-	-	-	12,996,535	111,519
-	-	-	-	-	-	-	-
150,083	208,531	182,393	1,544,104	437,775	135,628	12,996,535	3,315,996
(36,574)	(191,244)	-	218,609	-	-	-	(270,292)
-	169,699	-	-	-	-	-	243,180
-	-	-	(500,000)	-	-	-	-
-	169,699	-	(500,000)	-	-	-	243,180
(36,574)	(21,545)	-	(281,391)	-	-	-	(27,112)
-	-	-	-	-	-	-	-
(36,574)	(21,545)	-	(281,391)	-	-	-	(27,112)
184,957	50,308	-	642,900	-	10,089	8,785	148,229
\$ 148,383	\$ 28,763	\$ -	\$ 361,509	\$ -	\$ 10,089	\$ 8,785	\$ 121,117

(Continued)

CITY OF DANBURY, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
FUND BALANCES (DEFICITS) - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Capital Projects		Permanent Fund	
	City Projects	CityWorks/ Library Reconstruction	Family Library	Totals
REVENUES				
Federal and State governments	\$ -	\$ -	\$ -	\$ 18,845,894
Licenses and permits	-	-	-	17,255
Charges for services	-	-	-	4,498,250
Investment income	-	-	29,574	29,876
Other	-	-	-	564,490
Total revenues	<u>-</u>	<u>-</u>	<u>29,574</u>	<u>23,955,765</u>
EXPENDITURES				
General government	-	-	63,713	768,649
Public safety	-	-	-	2,202,009
Public works	-	-	-	1,504,370
Culture and recreation	-	-	-	190,930
State and Federal programs	-	-	-	2,486,869
Education	-	-	-	17,079,579
Capital outlay	575,327	373	-	575,700
Total expenditures	<u>575,327</u>	<u>373</u>	<u>63,713</u>	<u>24,808,106</u>
Revenues over (under) expenditures	<u>(575,327)</u>	<u>(373)</u>	<u>(34,139)</u>	<u>(852,341)</u>
OTHER FINANCING SOURCES				
Transfers in	500,000	-	-	912,879
Transfers (out)	-	-	-	(500,000)
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>412,879</u>
Total revenue and other financing sources (uses) over (under) expenditures	<u>(75,327)</u>	<u>(373)</u>	<u>(34,139)</u>	<u>(439,462)</u>
Decrease in reserve for inventories or encumbrances	-	-	-	14,768
Net change in unreserved fund balances	<u>(75,327)</u>	<u>(373)</u>	<u>(34,139)</u>	<u>(424,694)</u>
UNRESERVED FUND BALANCES (DEFICITS), beginning	<u>(785,001)</u>	<u>18,820</u>	<u>54,189</u>	<u>930,253</u>
UNRESERVED FUND BALANCES (DEFICITS), ending	<u>\$ (860,328)</u>	<u>\$ 18,447</u>	<u>\$ 20,050</u>	<u>\$ 505,559</u>

CITY OF DANBURY, CONNECTICUT

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - ANIMAL CONTROL FUND**

For the Year Ended June 30, 2004

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Town clerk fees	\$ 12,245	\$ 12,245	\$ 14,811	\$ 2,566
City contribution	132,805	169,699	169,699	-
Other revenue	2,700	2,700	2,476	(224)
Total revenues	<u>147,750</u>	<u>184,644</u>	<u>186,986</u>	<u>2,342</u>
EXPENDITURES	<u>147,750</u>	<u>207,323</u>	<u>208,531</u>	<u>(1,208)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ (22,679)</u>	(21,545)	<u>\$ 1,134</u>
FUND BALANCE, beginning			<u>50,308</u>	
FUND BALANCE, ending			<u>\$ 28,763</u>	

CITY OF DANBURY, CONNECTICUT

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL - AMBULANCE FUND

For the Year Ended June 30, 2004

	Budgeted		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,489,432	\$ 1,489,432	\$ 1,762,495	\$ 273,063
Other revenue	-	-	219	219
Total revenues	<u>1,489,432</u>	<u>1,489,432</u>	<u>1,762,714</u>	<u>273,282</u>
EXPENDITURES	<u>1,489,432</u>	<u>1,547,390</u>	<u>1,544,105</u>	<u>3,285</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (57,958)</u>	<u>\$ 218,609</u>	<u>\$ 276,567</u>

**Pension Trusts, Private Purpose
Trusts and Agency Funds**

Pension Trusts, Private Purpose Trusts and Agency Funds

Fiduciary Funds are used to account for assets held in a trustee capacity for others, and include Pension Trusts, Private Purpose Trusts and Agency Funds.

- i. **Pension Trust Funds** – utilize the accrual basis of accounting and are used for the accumulation of resources to be used for retirement benefits. The City's Pension Trust Funds are listed below:

General Employees	Post-1967 Police
Pre-1967 Police	Post-1967 Fire
Pre-1967 Fire	Post-1983 Police

- ii. **Private Purpose Trust Fund** – No restrictions have been placed on this fund by the donors. The City's Private Purpose Trust Fund is the Phoebe M. Harrison Fund which is used to account for funds left in trust to the City for scholarships.

- iii. **Agency Funds** - Agency funds are custodial in nature (assets equal liabilities). The City's Agency Funds are listed below:

Street Openings Fund - to account for permits issued by the Public Works Department to contractors or individuals for the opening of a city street (i.e., installation of water line or sewer line). Permit fees range according to the size of the project. Funds are refunded upon completion of a project and approval by the Highway Permit Inspector.

School Activities Fund - to account for collections and payments related to educational extracurricular activities at the schools. Financing is provided by individual fund raising projects.

Danbury High School Scholarship Fund - to account for funds received through donations for yearly scholarships presented to members of the high school graduating class.

Downtown Special Services District Fund - to account for funds received to revitalize and improve the physical appearance of downtown Danbury.

Security Lease Account – holds security deposits on airport leases, per the lease agreements.

Danbury Permits Fund - to account for funds received for performance bonds issued for construction projects that have received sedimentation/erosion control permits.

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CITY OF DANBURY, CONNECTICUT

**STATEMENT OF NET ASSETS - PENSION TRUST FUNDS, PRIVATE
PURPOSE TRUST FUNDS AND AGENCY FUNDS**

June 30, 2004

	Pension Trust Funds			
	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police
ASSETS				
Cash and cash equivalents	\$ 4,752,120	\$ 281,079	\$ 228,639	\$ 2,314,705
Investments, at fair value				
U.S. government obligations	11,938,827	706,159	574,413	5,815,271
Corporate bonds	6,459,330	382,057	310,778	3,146,268
Corporate stocks	43,778,034	2,589,387	2,106,293	21,323,797
Mutual funds	13,746,478	813,078	661,384	6,695,758
Unit Investment Trust	300,736	17,788	14,469	146,485
Other Real/Appraised Assets	14,430,782	853,553	694,308	7,029,075
Total investments	90,654,187	5,362,022	4,361,645	44,156,654
Contribution receivable	-	972,000	918,000	884,000
Accrued interest and dividends	253,576	14,999	12,200	123,514
Pending sales	286,290	16,934	13,774	139,449
Other receivables	-	-	-	-
Total assets	95,946,173	6,647,034	5,534,258	47,618,322
LIABILITIES				
Pending purchases	227,491	13,456	10,945	110,808
Other liabilities	-	-	-	-
Total liabilities	227,491	13,456	10,945	110,808
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 95,718,682	\$ 6,633,578	\$ 5,523,313	\$ 47,507,514

Pension Trust Funds			Private Purpose Trust	Agency Funds		
Post-1967 Fire	Post-1983 Police	Total Pension Trust Funds	Phoebe M. Harrison	Street Openings	School Activities	Danbury High School Scholarship
\$ 2,541,246	\$ 370,227	\$ 10,488,016	\$ 1,343	\$ 795,095	\$ 454,205	\$ 266,672
6,384,414	930,127	26,349,211	-	-	-	-
3,454,195	503,232	14,255,860	-	-	-	-
23,410,765	3,410,648	96,618,924	-	-	-	-
7,351,074	1,070,957	30,338,729	-	-	-	-
160,822	23,430	663,730	-	-	-	-
7,717,013	1,124,270	31,849,001	-	-	-	-
48,478,283	7,062,664	200,075,455	-	-	-	-
902,000	404,000	4,080,000	-	-	-	-
135,603	19,756	559,648	-	-	-	-
153,097	22,304	631,848	-	-	-	-
-	-	-	-	-	-	-
52,210,229	7,878,951	215,834,967	1,343	795,095	454,205	266,672
121,653	17,723	502,076	-	-	-	-
-	-	-	-	795,095	454,205	266,672
121,653	17,723	502,076	-	795,095	454,205	266,672
\$ 52,088,576	\$ 7,861,228	\$ 215,332,891	\$ 1,343	\$ -	\$ -	\$ -

CITY OF DANBURY, CONNECTICUT

**STATEMENT OF NET ASSETS - PENSION TRUST FUNDS, PRIVATE
PURPOSE TRUST FUNDS AND AGENCY FUNDS, Continued**

June 30, 2004

	Agency Funds			
	Downtown Special Services District	Security Lease Account	Danbury Permits	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 61,307	\$ 6,194	\$ 1,210,999	\$ 2,794,472
Investments, at fair value				
U.S. government obligations	-	-	-	-
Corporate bonds	-	-	-	-
Corporate stocks	-	-	-	-
Mutual funds	-	-	-	-
Unit Investment Trust	-	-	-	-
Other Real/Appraised Assets	-	-	-	-
Total investments	-	-	-	-
Contribution receivable	-	-	-	-
Accrued interest and dividends	-	-	-	-
Pending sales	-	-	-	-
Pending sales	1,693	-	-	1,693
Total assets	63,000	6,194	1,210,999	2,796,165
LIABILITIES				
Pending purchases	-	-	-	-
Other liabilities	63,000	6,194	1,210,999	2,796,165
Total liabilities	63,000	6,194	1,210,999	2,796,165
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ -	\$ -	\$ -	\$ -

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CITY OF DANBURY, CONNECTICUT

**STATEMENT OF CHANGES IN NET ASSETS - PENSION TRUST
FUNDS AND PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2004**

	Pension Trust Funds			
	General Employees	Pre-1967 Police	Pre-1967 Fire	Post-1967 Police
Additions				
Contributions				
Employer	\$ -	\$ 972,000	\$ 918,000	\$ 884,000
Plan members	-	-	-	80,388
Total contributions	-	972,000	918,000	964,388
Investment Income				
Net appreciation in fair value of investments	10,246,270	688,388	648,005	4,989,630
Interest and dividends	2,580,906	171,279	142,214	1,264,273
	12,827,176	859,667	790,219	6,253,903
Less investment expenses:				
Investment management fees	616,047	39,275	35,627	293,462
Net investment income	12,211,129	820,392	754,592	5,960,441
Total additions	12,211,129	1,792,392	1,672,592	6,924,829
Deductions				
Benefits	3,660,147	1,456,469	1,337,509	2,312,308
Change in net assets	8,550,982	335,923	335,083	4,612,521
Net Assets Held in Trust For Pension Benefits and Other Purposes				
Beginning of year	87,167,700	6,297,655	5,188,230	42,894,993
End of year	<u>\$ 95,718,682</u>	<u>\$ 6,633,578</u>	<u>\$ 5,523,313</u>	<u>\$ 47,507,514</u>

Pension Trust Funds			Private Purpose Trust
Post-1967 Fire	Post-1983 Police	Total Pension Trust Funds	Phoebe M. Harrison
\$ 902,000	\$ 404,000	\$ 4,080,000	\$ -
300,106	227,195	607,689	-
1,202,106	631,195	4,687,689	-
5,451,549	886,551	22,910,393	-
1,366,293	194,694	5,719,659	21
6,817,842	1,081,245	28,630,052	21
313,062	42,071	1,339,544	-
6,504,780	1,039,174	27,290,508	21
7,706,886	1,670,369	31,978,197	21
1,480,050	105,542	10,352,025	-
6,226,836	1,564,827	21,626,172	21
45,861,740	6,296,401	193,706,719	1,322
\$ 52,088,576	\$ 7,861,228	\$ 215,332,891	\$ 1,343

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**Capital Assets Used in the Operation
of Governmental Funds**

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY CATEGORY**

June 30, 2004

Governmental funds capital assets:

Land	\$ 39,382,873
Land improvements	7,377,848
Buildings and improvements	107,695,295
Machinery and equipment	20,743,559
Infrastructure	115,803,935
Construction in progress	4,489,986
Total governmental funds capital assets	<u>\$ 295,493,496</u>

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY FUNCTION AND ACTIVITY**

June 30, 2004

	Land	Improvements	Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General Government	\$ 12,137,400	\$ -	\$ 12,149,665	\$ 3,267,683	\$ -	\$ -	\$ 27,554,748
Public Safety	3,003,168	-	3,824,950	6,394,068	-	219,708	13,441,894
Public Works	19,700	72,282	751,807	6,119,017	113,988,631	3,591,125	124,542,562
Health & Welfare	311,100	-	3,625,009	78,844	-	-	4,014,953
Education	5,229,400	5,732,392	74,649,818	3,133,891	42,970	131,853	88,920,324
Culture and Recreation	18,235,905	1,573,174	12,622,660	1,190,398	989,060	547,300	35,158,497
Other	446,200	-	71,386	559,658	783,274	-	1,860,518
Total	\$ 39,382,873	\$ 7,377,848	\$ 107,695,295	\$ 20,743,559	\$ 115,803,935	\$ 4,489,986	\$ 295,493,496

CITY OF DANBURY, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Year Ended June 30, 2004

	Governmental Funds Capital Assets July 1, 2003				Governmental Funds Capital Assets June 30, 2004
	As Restated	Additions	Deletions	Transfers	
General Government	\$ 27,173,132	\$ 403,716	\$ (900)	\$ (21,200)	\$ 27,554,748
Public Safety	11,946,218	1,937,822	(442,146)	-	13,441,894
Public Works	118,821,147	6,096,065	(395,850)	21,200	124,542,562
Health and Welfare	4,018,109	25,612	(28,768)	-	4,014,953
Education	88,771,964	1,841,550	(1,693,190)	-	88,920,324
Culture and Recreation	26,509,581	8,665,916	(17,000)	-	35,158,497
Other	1,860,518	-	-	-	1,860,518
Total	\$ 279,100,669	\$ 18,970,681	\$ (2,577,854)	\$ -	\$ 295,493,496

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Other Schedules

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CITY OF DANBURY, CONNECTICUT

**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
GENERAL FUND**

For the Year Ended June 30, 2004

Grand List Year	Taxes Receivable July 1, 2003	Current Levy	Lawful Corrections	Transfers to Suspense	Balance to be Collected
2002	\$ -	\$118,785,633	\$ 938,426	\$ (22,057)	\$ 119,702,002
2001	2,456,887	-	523,652	(34,873)	2,945,666
2000	794,048	-	217,027	(22,280)	988,795
1999	607,830	-	(1,849)	(11,491)	594,490
1998	466,978	-	706	(5,612)	462,072
1997	315,645	-	(2,266)	(60,860)	252,519
1996	318,763	-	(11,529)	(50,552)	256,682
1995	253,130	-	(48)		253,082
1994	198,018	-	22	(58,948)	139,092
1993	69	-	-	-	69
1992	50	-	-	-	50
1991	16	-	-	-	16
1990	16	-	-	-	16
1989	16	-	92	-	108
1988	15	-	-	-	15
1987	-	-	(14)	-	(14)
	5,411,481	118,785,633	1,664,219	(266,673)	125,594,660
Less allowance:	(1,500,000)	-	-	-	(1,500,000)
	<u>\$ 3,911,481</u>	<u>\$118,785,633</u>	<u>\$ 1,664,219</u>	<u>\$ (266,673)</u>	<u>\$ 124,094,660</u>

					Taxes Receivable June 30, 2004
Taxes	Interest	Lien Fees	Total		
\$ 117,935,647	\$ 459,097	\$ 9,181	\$ 118,403,925	\$	1,766,355
2,228,425	332,116	11,697	2,572,238		717,241
379,520	131,062	2,140	512,722		609,275
67,425	40,130	1,104	108,659		527,065
50,629	36,684	960	88,273		411,443
11,938	11,238	288	23,464		240,581
8,988	9,360	144	18,492		247,694
7,411	11,783	48	19,242		245,671
3,956	6,491	-	10,447		135,136
-	4,991	-	4,991		69
-	2,097	-	2,097		50
-	1,599	-	1,599		16
-	2,547	-	2,547		16
92	1,426	-	1,518		16
-	1,809	-	1,809		15
-	1,580	-	1,580		(14)
120,694,031	1,054,010	25,562	121,773,603		4,900,629
-	-	-	-		(1,500,000)
\$ 120,694,031	\$ 1,054,010	\$ 25,562	\$ 121,773,603	\$	3,400,629

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Statistical Section

A. GENERAL FUND REVENUES AND EXPENDITURES

CITY OF DANBURY, CONNECTICUT

GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years

(Thousands)

	Property Taxes	Federal & State Governments	Licenses and Permits	Investment Income	Charges for Services	Fines, Penalties and Other	Total
2004	\$ 119,646	\$ 25,228	\$ 4,043	\$ 437	\$ 3,219	\$ 1,836	\$ 154,409
2003	114,945	25,822	2,549	250	4,686	1,109	149,361
2002	109,012	26,280	3,740	428	5,721	1,335	146,516
2001	101,867	38,023	2,233	854	5,211	1,136	149,324
2000	96,821	34,556	1,986	792	3,910	692	138,757
1999	88,430	34,981	2,211	1,068	3,496	785	130,971
1998	86,647	33,164	1,618	1,047	3,210	2,165	127,851
1997	88,994	28,720	1,339	1,141	5,064	1,281	126,539
1996	85,259	27,837	1,169	966	9,292	1,332	125,855
1995	86,755	28,791	1,134	713	6,686	1,510	125,589

Note: Revenues are shown on budgetary basis.

Source: City of Danbury Department of Finance.

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CITY OF DANBURY, CONNECTICUT

GENERAL FUND EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

(Thousands)

	General Government	Public Safety	Public Works	Health and Welfare	Culture and Recreation	State and Federal Programs	Education
2004	\$ 7,956	\$ 20,957	\$ 5,822	\$ 2,702	\$ 3,939	\$ -	\$ 85,736
2003	8,304	21,320	6,209	1,444	3,926	-	81,920
2002	8,458	20,312	5,512	1,426	3,748	-	77,489
2001	7,391	19,227	5,658	1,301	3,458	12,016	73,943
2000	7,041	18,994	5,380	1,323	3,442	9,804	72,093
1999	6,547	17,561	5,318	1,271	3,190	10,733	69,220
1998	6,492	16,593	4,717	1,252	3,188	6,831	66,288
1997	5,990	15,801	5,224	1,666	3,106	6,614	64,729
1996	5,454	15,286	5,547	1,978	2,944	5,654	62,487
1995	5,214	15,096	5,167	2,303	3,028	5,948	59,369

Note: Expenditures are shown on the budgetary basis.

Source: City of Danbury Department of Finance.

	Pension and Other Employee Benefits	Other	Capital Outlay	Debt Service	Total
\$	17,482	\$ 1,264	\$ 166	\$ 7,796	\$ 153,820
	15,515	2,186	200	8,293	149,317
	14,203	2,152	455	7,417	141,172
	13,265	2,119	4,429	7,565	150,372
	12,424	1,793	814	7,624	140,732
	12,866	1,943	1,999	7,233	137,881
	12,641	2,157	10,371	6,935	137,465
	12,978	1,839	1,877	7,055	126,879
	12,033	1,624	4,063	7,407	124,477
	11,355	1,802	1,988	7,451	118,721

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B. PROPERTY VALUES AND TAXES

CITY OF DANBURY, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS – GENERAL FUND

Last Ten Fiscal Years

Fiscal Year Ending 6/30	Net Taxable Grand List	Tax Rate (Mills)	Original Tax Levy	Current Tax Collections ⁽¹⁾	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections
2004	\$4,892,216,450	24.29	\$ 118,824,972	\$ 117,935,647	99.3%	\$ 2,758,384	\$120,694,031
2003	4,562,023,370	25.24	115,150,456	113,153,911	98.3%	1,972,152	115,126,063
2002	4,468,312,290	24.30	108,588,084	107,187,016	98.7%	2,404,401	109,591,417
2001	4,394,762,120	23.19	101,895,249	99,856,330	98.0%	2,272,412	102,128,742
2000	4,667,049,310	20.78	96,977,466	95,589,426	98.6%	1,293,079	96,882,505
1999	4,588,090,240	19.13	87,189,876	86,637,239	99.4%	1,903,764	88,541,003
1998	4,558,194,720	19.13	87,748,032	85,131,080	97.0%	4,037,070	89,168,150
1997	4,518,020,290	19.13	86,429,728	84,127,148	97.3%	2,751,417	86,878,565
1996	4,444,257,600	19.13	85,030,892	82,046,035	96.5%	3,077,922	85,123,957
1995	4,389,993,410	19.54	85,795,552	82,735,410	96.4%	3,861,271	86,596,681

⁽¹⁾ The amount collected to the end of each fiscal year represents collections of twelve months. Taxes for the fiscal year are levied on the Grand List of October 1, and are due and payable in four equal installments, July 1, October 1, January 1, and April 1. Failure to pay an installment within one month of the installment due date makes the installment delinquent (effective July 1, 1982 P.A. 82-141 of the 1982 Connecticut General Assembly). If the installment is not paid by August 1, the tax becomes delinquent and a penalty of 1-1/2% per month (18% per annum) is charged from the due date on the tax.

Note: The City of Danbury is not subject to property taxes of overlapping governments and is not obligated for special assessment debt.

Source: City of Danbury, Tax Collector's Office.

Percent of Total Tax Collections to Original Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
101.6%	\$ 4,900,613	4.1%
100.0%	\$ 5,411,481	4.7%
100.9%	5,005,879	4.6%
100.2%	5,576,494	5.5%
99.9%	4,990,229	5.1%
101.5%	3,431,666	3.9%
101.6%	4,065,924	4.6%
100.5%	6,629,765	7.7%
100.1%	7,271,426	8.6%
100.9%	7,804,461	9.1%

CITY OF DANBURY, CONNECTICUT

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value
2004	\$4,892,216,450	\$ 6,988,880,642
2003	4,562,023,370	6,517,176,243
2002	4,468,312,290	6,383,303,271
2001*	4,394,762,120	6,278,231,600
2000	4,667,049,310	6,667,213,300
1999	4,588,090,240	6,554,414,629
1998	4,558,194,720	6,511,706,743
1997	4,518,020,290	6,454,314,700
1996	4,444,257,600	6,348,939,429
1995	4,389,993,410	6,271,419,157

* Values were changed to reflect revaluation implemented in fiscal year 2001.

Source: City of Danbury, Tax Assessor's Office.

CITY OF DANBURY, CONNECTICUT

PRINCIPAL TAXPAYERS

June 30, 2004

Name	Nature of Business	Net Taxable Valuation ⁽¹⁾	Percent of Net Taxable Grand List ⁽¹⁾
Danbury Mall Associates	Shopping Mall	\$119,822,390	2.300%
Danbury Buildings, Inc.	Real Estate Investor	82,427,490	1.590%
Boehringer-Ingelheim	Research Center	50,372,280	0.970%
Connecticut Light & Power	Public Utilities	32,046,810	0.620%
B.F. Goodrich Aerospace	Electronics	30,890,900	0.590%
Avalonbay Communities, Inc.	Land Developer	28,921,410	0.560%
Melvin, Mary & Seymour Powers and Danbury Industrial Corp.	Industrial Park	25,803,050	0.520%
Ethan Allen Inn/Lake Ave. Association	Hotel	23,089,290	0.440%
Hawley, Ervie, Germantown Plaza Assoc.	Shopping Center and Land Developer	22,393,770	0.430%
Urstadt & Biddle Properties	Shopping Center	21,283,540	0.410%
	Total	<u>\$437,050,930</u>	<u>8.43%</u>

⁽¹⁾ Based on a net taxable grand list 10/1/03 of \$5,200,547,340.

Source: Assessor's Office, City of Danbury.

CITY OF DANBURY, CONNECTICUT

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

Calendar Year	Residential Construction		Commercial Construction		Industrial Construction		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2003	1,127	\$40,166,000	181	\$24,635,638	9	\$ 3,051,936	1,317	\$ 67,853,574
2002	1,062	57,004,872	236	32,725,840	33	6,440,498	1,331	96,171,210
2001	2,160	56,853,403	582	29,916,109	15	16,853,297	2,757	103,622,809 ⁽²⁾
2000	1,823	62,484,901	426	29,746,777	23	9,744,553	2,272	101,976,231 ⁽²⁾
1999	802	37,221,107	227	43,087,178	-	-	1,029	80,308,285
1998	763	43,964,940	9	18,989,896	2	370,961	774	63,325,797
1997	203	19,151,324	53	18,907,047	1	500,000	257	38,558,371
1996	111	10,362,330	49	25,346,500	2	2,533,000	162	38,241,830
1995	112	9,511,704	59	16,520,605	5	1,905,000	176	27,937,309
1994	129	10,268,557	30	8,858,654	4	707,000	163	19,834,211

⁽¹⁾ Federal Deposit Insurance Corporation (FDIC)

⁽²⁾ Building permits for 2000 and 2001 include electrical and mechanical permits.

Source: City of Danbury, Assessor's Office and Federal Deposit Insurance Corporation

Property Values		
Assessed	Estimated Actual	Bank ⁽¹⁾ Deposits (000's)
\$ 4,562,023,370	\$ 6,517,176,243	\$ 1,376,430
4,468,312,290	6,383,303,271	1,331,243
4,394,762,120	6,278,303,271	1,260,101
4,667,049,310	6,667,213,300	1,267,805
4,588,090,240	6,554,414,629	1,240,956
4,558,194,720	6,511,557,486	1,103,688
4,518,020,290	6,454,314,700	1,058,551
4,444,257,600	6,348,939,429	1,056,036
4,389,993,410	6,271,419,157	1,069,407
4,377,270,671	6,253,243,816	1,101,974

CITY OF DANBURY, CONNECTICUT

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Assessment	Advance Assessments Collected	Current Assessment Due	Current and Prior Assessments Collected	Ratio of Current and Prior Assessments Collected to Current Amount Due	Total Assessments Collected	Total Assessments Outstanding
<u>Sewer Assessments</u>							
2004	\$ 333,904	\$ 71,244	\$ 214,391	\$ 232,709	108.5%	\$ 303,953	\$ 2,874,439
2003	39,338	70,084	212,158	241,652	113.9%	311,736	2,635,438
2002	1,795,690	254,705	216,319	194,878	90.1%	449,583	2,907,805
2001	-	4,912	120,268	125,689	104.5%	130,601	1,561,703
2000	-	13,431	125,277	119,499	95.4%	132,930	1,692,304
1999	205,475	28,210	131,661	124,994	94.9%	153,204	1,619,780
1998	44,236	82,567	127,297	116,795	91.8%	199,362	1,772,958
1997	1,030,519	151,364	140,820	198,252	141.8%	349,616	1,928,087
1996	713,403	156,057	111,730	132,131	118.3%	288,188	1,194,824
1995	437,744	52,327	121,063	32,345	5.9%	84,672	487,991
<u>Water Assessments</u>							
2004	\$ 402,750	\$ 97,012	\$ 94,762	\$ 100,841	106.4%	\$ 197,853	\$ 1,298,851
2003	-	46,040	77,208	76,719	99.4%	122,759	\$ 1,093,954
2002	-	44,805	79,507	79,269	99.7%	124,074	1,222,351
2001	305,229	74,317	80,027	79,672	99.6%	153,989	1,340,786
2000	-	38,388	70,641	64,208	90.9%	102,596	1,189,546
1999	1,397,892	47,151	73,857	58,599	79.3%	105,750	1,292,142

C. LONG-TERM DEBT

CITY OF DANBURY, CONNECTICUT

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

Fiscal Year	Net Bonded Debt	Assessed Value	Ratio of Net Bonded Debt To Assessed Value	Population	Debt Per Capita
2004	\$ 58,126,800	\$4,892,216,450	1.19%	74,848	\$ 777
2003	50,009,500	4,562,023,370	1.10%	74,848	668
2002	55,007,000	4,468,312,290	1.23%	74,848	735
2001	47,600,000	4,394,762,120	1.08%	74,848	636
2000	52,320,000	4,667,049,310	1.12%	65,829	795
1999	53,410,000	4,588,090,240	1.16%	65,829	811
1998	47,550,000	4,558,194,720	1.04%	67,370	706
1997	47,470,000	4,518,020,290	1.05%	67,370	705
1996	51,490,000	4,444,257,600	1.16%	67,370	764
1995	55,700,000	4,389,993,410	1.27%	66,464	838

Source: City of Danbury, Department of Finance, U.S. Department of Commerce, Bureau of Census and State of Connecticut Department of Health

CITY OF DANBURY, CONNECTICUT

**RATIO OF DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES**

Last Ten Fiscal Years

Fiscal Year Ended 6/30	Total General Fund Expenditures	Long-Term Debt Service			Ratio of Total Debt Service To Total Expenditures
		Principal	Interest	Total	
2004	\$ 153,819,699	\$ 5,576,706	\$ 2,219,285	\$ 7,795,991	5.1%
2003	149,317,470	5,624,462	2,668,995	8,293,457	5.6%
2002	141,173,874	4,972,112	2,445,012	7,417,124	5.3%
2001	150,371,667	4,807,112	2,757,677	7,564,789	5.0%
2000	140,732,271	4,677,112	2,947,090	7,624,202	5.4%
1999	137,881,245	4,319,201	2,912,698	7,231,899	5.2%
1998	137,465,569	4,099,201	2,835,607	6,934,808	5.0%
1997	126,879,031	4,099,200	2,956,003	7,055,203	5.6%
1996	124,475,987	4,252,088	3,154,541	7,406,629	6.0%
1995	118,723,017	4,157,089	3,293,867	7,450,956	6.3%

Source: City of Danbury, Department of Finance – Budgetary Basis

CITY OF DANBURY, CONNECTICUT

DEBT ADMINISTRATION

June 30, 2004

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position for municipal management, citizens, and investors. This data for the City at June 30, 2004 was as follows:

Population ⁽⁴⁾	74,848		
Net Taxable Grand List (10/1/03)	\$	5,200,547,340	
2003 Equalized Net Taxable Grand List ⁽³⁾	\$	8,402,511,289	
Estimated Full Value (70%)	\$	7,429,353,343	
1999 Income per capita	\$	24,500	
		Total Debt	Total Net Debt
Per Capita	\$	1,830	\$ 999
Ratio to Net Taxable Grand List		2.63%	1.44%
Ratio to Estimated Full Value		1.84%	1.01%
Ratio of Debt Per Capita to 1990 Income Per Capita		9.48%	5.17%
Ratio of Equalized Net Taxable Grand List		1.63%	0.89%

Debt Statement June 30, 2004

Long-term debt ⁽¹⁾			
General Purpose	\$	31,668,800	
Schools		26,458,000	
Water		17,718,200	
Sewers		27,500,842	
Capital Leases		3,496,381	
Total Long-Term Debt			<u>106,842,223</u>
Short-term debt ⁽²⁾			
Bond Anticipation Notes			<u>35,450,000</u>
Total direct debt			<u>142,292,223</u>
Less: Amount to be provided by State of Connecticut		5,963,000	
Self-Supporting Sewer Debt		27,500,842	
Self-Supporting Water Debt		17,718,200	
			<u>51,182,042</u>
Total overall net debt			<u><u>\$ 91,110,181</u></u>

⁽¹⁾ Long-term debt does not include \$13,968,712 of landfill closure and postclosure costs payable and the \$1,135,770 of accrued employee benefits as of June 30, 2004, or the \$74,224 State Local Bridge Loan from the State of Connecticut.

⁽²⁾ Bond anticipation notes of \$35,450,000 are for general purposes.

⁽³⁾ Office of Policy and Management, State of Connecticut

⁽⁴⁾ State of Connecticut, Department of Health and U.S. Department of Commerce, Bureau of Census

CITY OF DANBURY, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

June 30, 2004

Computation of Basis for Debt

Tax collections for the year ended June 30, 2004 (including interest and lien fees less refunds)	\$ 121,773,605
Tax relief for the elderly	42,607
	<u>\$ 121,816,212</u>

Debt Limitation	General Purpose	Urban Renewal	Sewer	Schools	Unfunded Pension
2 ¼ times basis	\$ 274,086,477	\$ -	\$ -	\$ -	\$ -
3 ¼ times basis	-	395,902,689	-	-	-
3 ¾ times basis	-	-	456,810,795	-	-
4 ½ times basis	-	-	-	548,172,954	-
3 times basis	-	-	-	-	365,448,636
Debt limitation	274,086,477	395,902,689	456,810,795	548,172,954	365,448,636
Indebtedness:					
Bonds and Notes payable	31,668,800	-	24,395,842	26,458,000	-
Bonds authorized and unissued	51,197,090	-	5,000,000	-	-
Short-Term Notes payable	24,900,000	-	6,300,000	-	-
Indebtedness	107,765,890	-	35,695,842	26,458,000	-
Less School Construction Grants	-	-	-	(5,963,000)	-
Debt Limitation in excess of indebtedness	<u>\$ 166,320,587</u>	<u>\$ 395,902,689</u>	<u>\$ 421,114,953</u>	<u>\$ 527,677,954</u>	<u>\$ 365,448,636</u>

Notes: With certain exclusions as set forth in Chapter 109 of the General Statutes, bonds and notes causing the aggregate indebtedness of the City to exceed seven times the annual receipts from taxation (\$852,713,484 as of June 30, 2004) may not be issued for any purpose.

Sewer assessment debt is excludable from the calculation of debt limitation as allowed by Connecticut General Statutes. Excluded from above is \$3,097,000 of outstanding sewer assessment bonds and notes and \$1,009,090 of authorized unissued sewer assessment debt.

Excludes \$17,718,200 of Water bonds outstanding and \$4,935,000 of authorized/unissued water debt per Connecticut General Statutes, \$3,496,381 in capital leases, \$13,968,712 of landfill closure, \$1,135,770 of accrued employee benefits, and \$74,224 State Local Bridge Loan from the State of Connecticut.

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D. DEMOGRAPHIC DATA

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA

June 30, 2004

MAJOR EMPLOYERS

Name	Number of Employees
Danbury Hospital	2,686
Cendant Mobility	1,466
Danbury School System	1,329
G.E. Capital	1,200
Western CT State University	928
Boehringer-Ingelheim Pharmaceuticals	683
Pitney Bowes, Inc.	650
Scholastic	618
City of Danbury General Government	537
Goodrich	502

Source: Greater Danbury Chamber of Commerce

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued
June 30, 2004

POPULATION AND DENSITY

Historical			
Year	Population	% Increase	Density
1950	30,337	8.7%	689
1960	39,382	29.8%	895
1970	51,066	29.7%	1,154
1980	60,470	18.4%	1,374
1990	65,585	8.5%	1,491
2000	74,848	14.1%	1,701
2002	76,917	2.8%	1,748

Source: U.S. Department of Commerce, Bureau of Census
and State of Connecticut, Department of Health

AGE DISTRIBUTION OF THE POPULATION

Age	City of Danbury		State of Connecticut	
	2001	Percent	2001	Percent
Under 5	4,900	6.5%	223,344	6.5%
5-14	8,821	11.8%	485,731	14.3%
15-24	10,148	13.6%	404,198	11.9%
25-44	26,493	35.4%	1,032,689	30.3%
45-64	16,250	21.7%	789,420	23.2%
65 & Over	8,236	11.0%	470,183	13.8%
	<u>74,848</u>	<u>100.0%</u>	<u>3,405,565</u>	<u>100.0%</u>
Median Age	<u>35.2</u>		<u>37.4</u>	

Source: U.S. Department of Commerce, Bureau of
Census, 2000.

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2004

INCOME DISTRIBUTION

	City of Danbury		State of Connecticut	
	Households	Percent	Households	Percent
Less than \$10,000	684	3.8%	33,423	3.8%
\$10,000 to \$14,999	452	2.5%	23,593	2.7%
\$15,000 to \$24,999	1,341	7.4%	63,262	7.1%
\$25,000 to \$34,999	1,695	9.3%	75,413	8.5%
\$35,000 to \$49,999	2,721	15.0%	120,134	13.6%
\$50,000 to \$74,999	4,299	23.7%	198,924	22.5%
\$75,000 to \$99,999	2,988	16.5%	141,981	16.0%
\$100,000 to \$149,999	2,561	14.1%	132,177	14.9%
\$150,000 to \$199,000	790	4.4%	42,472	4.8%
\$200,000 or more	615	3.3%	54,368	6.1%
	<u>18,146</u>	<u>100.0%</u>	<u>885,747</u>	<u>100.0%</u>

Source: U.S. Department of Commerce, Bureau of Census

INCOME LEVELS

	City of Danbury	State of Connecticut
Per Capita Income, 1999	\$ 24,500	\$ 28,766
Per Capita Income, 1989	19,300	20,189
Per Capita Income, 1987	14,472	16,094
Median Family Income, 1999	53,664	53,935
Percent Below Poverty	5.9%	5.6%

Source: U.S. Department of Commerce, Bureau of Census

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2004

EMPLOYMENT BY INDUSTRY

Sector	City of Danbury		State of Connecticut	
	2000		2000	
	Number	Percent	Number	Percent
Agriculture, Forestry, Fisheries, Mining	69	0.3%	7,445	0.5%
Construction	3,811	9.5%	99,913	6.0%
Transportation and Warehousing, Utilities	1,213	3.0%	64,662	3.9%
Manufacturing	7,323	18.3%	246,607	14.8%
Wholesale trade	1,181	2.9%	53,231	3.2%
Retail trade	5,039	12.6%	185,633	11.2%
Finance, Insurance, Real Estate	2,529	6.3%	163,568	9.8%
Information	1,602	4.0%	55,202	3.3%
Professional, Scientific, Management Services	4,656	11.6%	168,334	10.1%
Educational, Health and Social Services	6,893	17.2%	366,568	22.0%
Arts, Entertainment, Recreation	2,780	6.9%	111,424	6.7%
Other services (except Public Administration)	2,165	5.4%	74,499	4.5%
Public Administration	809	2.0%	67,354	4.0%
Total Labor Force, Employed	40,070	100.0%	1,664,440	100.0%

Source: U.S. Department of Commerce, Bureau of Census

CITY OF DANBURY, CONNECTICUT

DEMOGRAPHIC DATA, Continued

June 30, 2004

UNEMPLOYMENT DATA

	City of Danbury		Percentage Unemployed		
	Employed	Unemployed	Danbury		
			City of Danbury	Labor Market	State of Connecticut
June 1, 2004	39,542	1,503	3.7%	3.2%	4.6%
<u>Annual Averages</u>					
2004	38,553	1,782	4.4%	3.8%	5.5%
2003	37,656	1,758	4.5%	3.4%	5.2%
2002	36,346	1,473	3.9%	3.3%	4.3%
2001	34,711	1,086	3.0%	2.5%	3.3%
2000	36,010	662	1.8%	1.5%	2.3%
1999	34,738	1,034	2.9%	2.3%	3.2%
1998	34,718	1,046	2.9%	2.3%	3.4%
1997	34,508	1,589	4.4%	3.4%	5.1%
1996	34,114	1,774	4.9%	3.9%	5.7%
1995	33,830	1,683	4.7%	3.7%	5.5%
1994	34,837	2,022	5.5%	4.3%	5.6%
1993	36,318	2,391	6.2%	4.8%	6.2%

Source: U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut

E. MISCELLANEOUS STATISTICS

CITY OF DANBURY, CONNECTICUT

MISCELLANEOUS STATISTICS

June 30, 2004

Date of Incorporation	1889
Form of Government	Mayor/Council
Area	44 square miles
Miles of Streets	238
Number of Street Lights	2768

City of Danbury Services and Facilities:

Fire Protection:	
Number of Stations	17
Number of Firemen and Officers (includes approximately 150 volunteers)	259

Police Protection:	
Number of Stations	1
Number of Policemen and Officers	150
Nonuniformed employees	6

Education (K through 12):	
Attendance Centers	17
Number of Classrooms	425
Number of Teachers	831
Number of Students	9,771

Building Permits Issued, 2003	1,317
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Recreation and Culture:	
Number of Parks	15 with 561 developed acres
Municipal Golf Course	1
Number of Libraries	1
Number of Volumes	111,950

Employees (other than police and fire):	
Classified Service	208
Exempt	76